

**AMENDED AND RESTATED
LEASE AGREEMENT**

between

**TUMWATER OFFICE PROPERTIES,
a Washington nonprofit corporation**

as Landlord

and

**STATE OF WASHINGTON,
Acting Through the Department of General Administration**

as Tenant

**DATED: October 23, 2003
as Amended and Restated January 22, 2004**

**Tumwater Office Building
Tumwater, Washington**

TABLE OF CONTENTS

	Page
1. Definitions.....	1
1.1 ADA.....	1
1.2 Additional Off-Site Mitigation Fees.....	1
1.3 Additional Rent.....	1
1.4 Architect	1
1.5 Biennium.....	1
1.6 Bond Closing	1
1.7 Bonds.....	1
1.8 Building Design Guidelines.....	1
1.9 Building Enhancements and Furnishings	2
1.10 Calendar Year.....	2
1.11 Code	2
1.12 Commencement Date	2
1.13 Construction Contracts.....	2
1.14 Construction Documents.....	2
1.15 Construction Drawings	2
1.16 Contract Documents.....	3
1.17 Contractors.....	3
1.18 Detailed Specifications	3
1.19 Developer.....	3
1.20 Developer Obligation Date.....	3
1.21 Development Agreement.....	3
1.22 Effective Date	3
1.23 Environmental Laws	3
1.24 Event(s) of Default.....	4
1.25 Expiration Date.....	4
1.26 Final Acceptance.....	4
1.27 Final Payment	5
1.28 Fixed Price.....	5
1.29 General Construction Contract.....	5
1.30 General Contractor	5
1.31 Ground Lease.....	5
1.32 Hazardous Substance	5
1.33 Indenture.....	5
1.34 Interior Architect.....	5
1.35 Land	5
1.36 Landlord.....	5
1.37 Laws	5
1.38 Lease Year	5
1.39 Liens.....	5
1.40 Monthly Rent	6
1.41 Mortgage.....	6

1.42	Notice Address	6
1.43	Notice Parties	6
1.44	OFM.....	6
1.45	Operating Costs	6
1.46	Permitted Termination Date.....	6
1.47	Permitted Termination Event.....	6
1.48	Permitted Use.....	6
1.49	Premises.....	6
1.50	Project.....	6
1.51	Project Budget.....	7
1.52	Project Contingency	7
1.53	Project Costs	7
1.54	Project Requirements.....	8
1.55	Project Schedule	8
1.56	Punch List.....	8
1.57	Rent.....	8
1.58	Requirements of Law	8
1.59	Sale of the Bonds.....	8
1.60	State Nonprofit Corporation Act	8
1.61	Substantial Completion.....	8
1.62	Substantially Complete	9
1.63	Taxes	10
1.64	Tenant.....	10
1.65	Tenant Improvements	10
1.66	Tenant's Construction Representative	10
1.67	Tenant's Contingency.....	10
1.68	Tenant's Personal Property	10
1.69	Term.....	10
1.70	Trustee.....	10
1.71	Unavoidable Delays	10
1.72	Utilities.....	11
2.	Premises	11
3.	Term.....	11
4.	Monthly Rent	11
5.	Additional Rent; Payment of Operating Costs, Taxes and Utilities	11
5.1	Absolute Net Lease	11
5.2	Operating Costs	12
5.3	Exclusions from Operating Costs.....	13
5.4	Payment of Taxes by Tenant	14
5.5	Real Property Tax Statements.....	14
5.6	Right to Contest Taxes	14
5.7	Payment of Operating Costs.....	14
5.8	Proration.....	15
5.9	Right to Audit.....	15

5.10	Warranties.....	15
6.	Utilities.....	15
7.	Use.....	16
7.1	No Insurance Cancellation.....	16
7.2	Compliance with Laws	16
7.3	No Waste, Nuisance or Damage	16
7.4	Tax Covenants.....	16
8.	Liens; Port of Olympia's Reversionary Rights.....	17
8.1	Covenant Against Liens	17
8.2	Covenant to Remove Liens	17
8.3	Tenant's Disclaimer.....	18
8.4	Port of Olympia's Reversionary Rights.....	18
9.	Construction of Project.....	18
9.1	Development Agreement.....	18
9.2	Schedule for Design and Construction	18
9.3	Plans and Specifications.....	19
9.4	Tenant's Contingency.....	20
9.5	Dispute Resolution Process.....	21
9.6	Permits; Costs; Compliance with Legal Requirements	21
9.7	Construction Contracts.....	21
9.8	Construction of Project.....	21
9.9	Payment of Project Costs and Other Costs Associated with the Project	21
9.10	Savings.....	22
9.11	Substantial Completion of Project.....	22
9.12	Final Acceptance.....	22
9.13	As-Built Plans and Specifications; Manuals; Warranties; Permits and Licenses; and Survey.....	22
9.14	Enforcement of Warranties	22
9.15	Inspection by Tenant.....	22
9.16	Unavoidable Delays	23
9.17	Termination of Lease.....	23
9.18	No Amendment of Documents.....	23
10.	Maintenance and Modification.....	23
10.1	Maintenance and Repair.....	23
10.2	Management of Premises; Accounting	24
10.3	Tenant's Remedies.....	26
10.4	Modifications, Alterations and Additions	26
11.	Landlord Financing of Project.....	26
12.	Construction Liens	27
13.	Indemnity and Hold Harmless	27
14.	Minimum Scope of Insurance Coverage for Landlord.....	28

14.1	Landlord's Coverages	28
14.2	Deductibles and Self-Insured Retentions	28
14.3	Other Insurance Provisions	28
15.	Minimum Scope of Insurance Coverage for Tenant	29
15.1	General Liability; Self-Insurance.....	29
15.2	Workers' Compensation	29
16.	Property Insurance.....	30
17.	Waiver of Subrogation	30
18.	Other Insurance Matters	30
18.1	Insurance Requirements	30
18.2	Insurance Prior to the Commencement Date of the Lease	31
19.	Destruction	31
20.	Eminent Domain Proceedings or Loss of Title	31
20.1	Applicable Provisions	31
20.2	Continuance of the Lease Following Less Than Substantial Condemnation or Loss of Title to the Premises	32
20.3.	Insufficiency of Condemnation Award or Title Insurance Payments	32
20.4.	Temporary Taking	33
20.5.	Personal Property and Moving Expenses.....	33
20.6.	Cooperation of Landlord	33
21.	Assignment of Project; Subletting.....	33
22.	Default by Tenant	34
22.1	Payment	34
22.2	Other Failure to Perform.....	34
22.3	Late Charges; Interest on Past Due Monthly Rent	34
23.	Remedies for Tenant Default.....	34
24.	Signs	34
25.	Landlord's Right to Enter the Premises.....	35
25.1	Condition	35
25.2	Notices.....	35
26.	No Encumbrances by Landlord	35
27.	Right to Estoppel Certificates.....	35
28.	Limitation on Landlord's Liability	35
29.	Attorneys' Fees	35
30.	Options to Prepay Lease and Purchase Premises; Surrender.....	36
30.1	Option to Purchase	36
30.2	Exercise of Option	36

30.3	Conveyance of Premises	36
30.4	Surrender	36
31.	Broker	36
32.	Miscellaneous Provisions	37
32.1	Entire Agreement	37
32.2	Governing Law	37
32.3	Severability	37
32.4	Jurisdiction	37
32.5	Waiver	37
32.6	Captions	37
32.7	Notices	37
32.8	Binding Effect	38
32.9	Gender and Number	38
32.10	Nondiscrimination	38
32.11	Recording; Memorandum of Lease	38
32.12	Time Is of the Essence	38
33.	Prevailing Wage	38
34.	Authority	39
35.	Sources of Funds for Obligations Hereunder	39
35.1	Availability of Current Appropriations	39
35.2	Pledge to Budget and Seek Appropriations for Rent	39
35.3	Triple Net Lease	39
35.4	Contract Nonterminable	40
36.	Permitted Termination Event; Termination and Return of Project	40
37.	Tax Covenants	40
37.1	Protection of Tax Exemption	40
37.3	Bonds Not 'Bank Eligible'	41
37.4	Other Occupants	41
37.5	Qualified Organizations	41
37.6	Annual Certification	41
37.7	Change in Use	41
37.8	Modification	41

Exhibits:

Exhibit A	Monthly Rent
Exhibit B	Project Schedule
Exhibit C	Land
Exhibit D	Confirmation of Commencement and Expiration Dates
Exhibit E	Memorandum of Lease
Exhibit F	Dispute Resolution Procedure
Exhibit G	Permitted Exceptions
Exhibit H	Form of Notice of Election of Option to Purchase
Exhibit I	Annual 502(c)(3) Certification

AMENDED AND RESTATED LEASE AGREEMENT

This Lease Agreement ("Lease") is dated for reference purposes as of October 23, 2003 and is made by and between **TUMWATER OFFICE PROPERTIES**, a Washington nonprofit corporation ("Landlord"), and the **STATE OF WASHINGTON**, acting through the Department of General Administration ("Tenant"). Landlord and Tenant agree that the Lease is amended and restated as of January 22, 2004 in its entirety as follows:

1. Definitions. As used in this Lease, the following capitalized terms shall have the following meanings:

1.1 "ADA" means the Americans With Disabilities Act of 1990, as amended from time to time.

1.2 "Additional Off-Site Mitigation Fees" means those potential additional mitigation fees and work required as a condition to the issuance of permits for the Project in an amount approved by the Tenant and thereafter set forth in the Project Budget. The approved Additional Off-Site Mitigation Fees shall be payable from the proceeds of the Bonds. Landlord and Tenant agree that the Additional Off-Site Mitigation Fees shall be considered a Project Cost but shall not be included in the determination of the Fixed Price.

1.3 "Additional Rent" means the Operating Costs, Taxes, and Utilities, each as defined herein, the costs of maintenance and repair of the Premises (as provided in Section 10.1 hereof), and any other monetary sum to be paid by Tenant to Landlord or to third parties under the provisions of this Lease (other than Monthly Rent).

1.4 "Architect" means NBBJ LP.

1.5 "Biennium" means the fiscal period of the State of Washington.

1.6 "Bond Closing" refers to the date the Bond proceeds are first made available to the Trustee.

1.7 "Bonds" means those tax-exempt obligations to be issued by Landlord which satisfy the requirements of Revenue Ruling 63-20, Revenue Procedure 82-26 and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financing, from the proceeds of which Landlord intends to pay, among other things, the Fixed Price.

1.8 "Building Design Guidelines" means those program requirements, performance criteria, and environmental and physical criteria set forth in that certain "Building Design Guidelines for Tumwater Office Building" dated July 12, 2002 as issued by the Department of General Administration, State of Washington, and as amended in accordance with the Request for Proposal for the Project (Rev. July 9, 2002), for the first-class office building to

be constructed on the Land pursuant to a site plan permit to be issued with respect to the Project by the City of Tumwater.

1.9 "Building Enhancements and Furnishings" means those certain enhancements and furnishings for the Project desired by Tenant and more particularly described in the Development Agreement. As of the date of this Lease, \$5,187,700 has been designated from the proceeds of the Bonds for the Building Enhancements and Furnishings, which amount shall include a Developer's Fee pursuant to the Development Agreement to the extent that Landlord, Tenant and Developer agree that Developer will coordinate the installation of the Building Enhancements or the purchase of the Furnishings. Landlord and Tenant agree that the Building Enhancements and Furnishings shall be considered Project Costs but shall not be included in the determination of the Fixed Price and that any costs associated with such Building Enhancements and Furnishings in excess of the amounts available therefor from the proceeds of the Bonds shall be at Tenant's sole cost and expense, except to the extent that they may be paid out of the Tenant's Contingency.

1.10 "Calendar Year" means a calendar year commencing with January 1 and ending with December 31.

1.11 "Code" means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable Department of Treasury regulations.

1.12 "Commencement Date" means the date of Substantial Completion of the Project.

1.13 "Construction Contracts" means the General Construction Contract and all other contracts for construction services entered into between Landlord, or Developer, on behalf of and acting as agent for Landlord, and any Contractor, including the General Contractor, for construction of Tenant Improvements or any other portion of the Project not covered by the General Construction Contract.

1.14 "Construction Documents" mean the Construction Drawings and Detailed Specifications approved by the Landlord with input from Tenant pursuant to Section 9.3 below, for the construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

1.15 "Construction Drawings" means Drawings setting forth in detail the requirements for the construction of the Project. As used herein, "Drawings" include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project. Construction Drawings may consist of separate Drawings for the building shell and core prepared by the Architect and separate Drawings for Tenant Improvements prepared by the Interior Architect.

1.16 "Contract Documents" means the Construction Documents, the General Construction Contract and the other documents identified as Contract Documents in the General Construction Contract.

1.17 "Contractors" means the General Contractor and any other construction contractors with whom Landlord enters into direct contracts upon the written recommendation of Developer, or with whom the Developer on behalf of and acting as the Landlord's agent, contracts for the Project.

1.18 "Detailed Specifications" means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

1.19 "Developer" means Wright Runstad Associates Limited Partnership, a Washington limited partnership and its successors and permitted assigns under the Development Agreement.

1.20 "Developer Obligation Date" for the Project means the date twenty-three (23) months after Bond Closing. The Developer Obligation Date shall be extended to the extent of (i) Unavoidable Delay; provided, however, that extensions due to Unavoidable Delay shall not exceed ninety (90) days; (ii) Tenant-caused delays (e.g., delays due to Tenant-initiated change proposals); and (iii) delays incurred as a result of the presence of Hazardous Substances in, on or emanating from the Land through no action or fault of Developer.

1.21 "Development Agreement" means that certain Development Agreement of even date herewith, as amended from time to time, between Developer and Landlord which provides the development, design, permitting and construction of the Project.

1.22 "Effective Date" means the date that this Lease is fully executed, acknowledged and delivered by Landlord and Tenant.

1.23 "Environmental Laws" means, as amended from time to time, the Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 *et seq.*, Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 *et seq.*, Federal Hazardous Materials Transportation Control Act, 42 U.S.C. § 1801 *et seq.*, Federal Clean Air Act, 42 U.S.C. § 7401 *et seq.*, Federal Water Pollution Control Act, Federal Water Act of 1977, 93 U.S.C. § 1251 *et seq.*, Federal Insecticide, Fungicide and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. § 136 *et seq.*, Federal Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, Federal Safe Drinking Water Act, 42 U.S.C. § 300f *et seq.*, Washington Water Pollution Control Act, RCW ch. 90.48, Washington Clean Air Act, RCW ch. 70.94, Washington Solid Waste Management Recovery and Recycling Act, RCW ch. 70.95, Washington Hazardous Waste Management Act, RCW ch. 70.105, Washington Hazardous Waste Fees Act, RCW ch. 70.95E, Washington Model Toxics Control Act, RCW ch. 70.105D, Washington Nuclear Energy and Radiation Act, RCW ch. 70.98, Washington Radioactive Waste Storage and Transportation Act of 1980, RCW ch. 70.99, Washington Underground Petroleum Storage Tanks Act, RCW ch. 70.148.

1.24 "Event(s) of Default" has the meaning set forth in Section 22 of this Lease.

1.25 "Expiration Date" means the date which is twenty-five (25) years after the Commencement Date (unless sooner terminated pursuant to this Lease).

1.26 "Final Acceptance" means that the following events have occurred:

(a) The City of Tumwater has issued all Temporary Certificates of Occupancy, other than those relating to the street level retail space.

(b) Each Contractor shall have issued its "Certificate of Substantial Completion" together with its Affidavit of Payment of Debts and Claims, AIA Forms 706 and 706A together with final waivers and releases of lien from such materialmen, laborers, contractors and subcontractors as Landlord may require.

(c) All Punch List items have been completed to the reasonable satisfaction of Landlord with Tenant's concurrence.

(d) Developer shall have submitted its Final Application for Payment together with evidence that all construction costs have been paid in full.

(e) The period for filing construction liens has expired or releases or discharges of construction liens have been obtained by the Developer from all Contractors in accordance with all Construction Contracts.

(f) Architect shall have issued its Certificate of Final Completion.

(g) General Contractor shall have issued a certificate that (i) the Project has been finally completed in substantial accordance with the Contract Documents, and (ii) no Hazardous Substances as defined in said certificate were incorporated into the structure of the Project.

(h) Developer shall have delivered to Landlord a written report showing the allocation of Project Costs among the categories of the Project Budget and the remaining specified dollar amount of the Tenant's Contingency, Project Contingency and the undisbursed portion of the Developer's Fee.

(i) Landlord shall have received an endorsement to its Title Policy dated as of and issued on the date of Final Acceptance, which shall insure Landlord and Trustee (i) against any liens for labor or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (ii) show no additional exceptions to the Title Policy other than those approved by or arising through Landlord.

(j) Developer shall have delivered to Landlord and Tenant its affidavit that the contracts with contractors and subcontractors of such contractors for the Project required such parties to pay the prevailing wage in accordance with Section 33 below.

1.27 "Final Payment" means payment to the Developer, General Contractor and any other Contractors by Landlord following Final Acceptance of the Project.

1.28 "Fixed Price" means the total amount to be paid by Landlord for the Project Costs excluding the Project Costs for the Off-Site Mitigation Fees and the Building Enhancements and Furnishings.

1.29 "General Construction Contract" means the agreement between the Landlord and the General Contractor for construction of the building shell and core and Tenant Improvements for the Project.

1.30 "General Contractor" means Turner Construction Co., Inc.

1.31 "Ground Lease" means the long-term ground lease entered into, or to be entered into, by Tumwater Office Properties as the tenant and the State of Washington, acting through the Department of General Administration as landlord for the Land described on the attached EXHIBIT C.

1.32 "Hazardous Substance" means any material, waste, substance, industrial waste, toxic waste, chemical contaminant, petroleum, asbestos, polychlorinated biphenyls, radioactive materials, or other substances regulated or classified by Law or Environmental Laws as hazardous, toxic or lethal to persons or property.

1.33 "Indenture" means the loan agreement, trust indenture or other agreements or documents pursuant to which Landlord will cause the issuance of the Bonds.

1.34 "Interior Architect" means Zimmer Gunsul Frasca Partnership.

1.35 "Land" means the land on which the Premises is located, as more particularly described in EXHIBIT C attached hereto and by this reference incorporated herein.

1.36 "Landlord" means Tumwater Office Properties, a Washington nonprofit corporation, its successors and permitted assigns.

1.37 "Laws" means any constitution, statute, ordinance, regulation, rule, resolution, judicial decision, administrative order or other requirement of any federal, state, county, municipal or other governmental agency or authority having jurisdiction over the parties or the Premises, or both, in effect either at the time of execution of this Lease or at any time during the Term, including without limitation, any regulation or order of a quasi official entity or body (e.g., board of fire examiners or public utilities) and all rules, laws and regulations issued thereunder, as the same may be amended from time to time.

1.38 "Lease Year" means each succeeding year of the Term, commencing with the Commencement Date and ending with the date which is one (1) day less than one (1) year later.

1.39 "Liens" means any lien, charge, security interest or encumbrance, except the Indenture and the Mortgage, which may be attached to, upon or against the Premises or any

portion thereof. Liens shall specifically exclude those permitted exceptions affecting the Land as of the date hereof and more specifically described on the attached **EXHIBIT G**.

1.40 "Monthly Rent" means the rent payable by Tenant under this Lease from the Commencement Date to and including the Expiration Date in the amounts for each Lease Year as set forth on the Schedule of Monthly Rent annexed hereto as **Exhibit A** and by this reference incorporated herein.

1.41 "Mortgage" means the (a) Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing, executed by Landlord in connection with the issuance of the Bonds; (b) Assignment of Leases and Cash Collateral, executed by Landlord in connection with the issuance of the Bonds; (c) applicable Uniform Commercial Code financing statements; and (d) other security documents executed by Landlord in connection with or to secure the Bonds.

1.42 "Notice Address" means, as to each of the Notice Parties, its respective address as specified in or pursuant to Section 32.7 of this Lease.

1.43 "Notice Parties" means each of Landlord, Tenant and Trustee.

1.44 "OFM" means the State Office of Financial Management and shall include any agency of the State of Washington succeeding to the functions of OFM.

1.45 "Operating Costs" has the meaning given to it in Section 5 of this Lease.

1.46 "Permitted Termination Date" means the date upon which a Permitted Termination Event is effective, as stated in a written notice from Tenant to Landlord.

1.47 "Permitted Termination Event" means the occurrence of the following: (1)(a) sufficient funds have not been appropriated within any biennial budget for the purpose of paying Rent in the next occurring Biennium or, (b) the Governor of the State issues an Executive Order mandating an emergency reduction in funding, and (2) the Tenant delivers written notice to the Landlord and Trustee within five days following the enactment of such budget or within 30 days following such an emergency reduction in funding, as the case may be, describing the failure to appropriate the necessary funds or insufficiency of funds as a result of an emergency reduction in funding and stating the Permitted Termination Date.

1.48 "Permitted Use" has the meaning given to it in Section 7 of this Lease.

1.49 "Premises" means the Land, the building to be known as the Tumwater Office Building, containing approximately 200,000 square feet of rentable area, the surface parking facilities and any other improvements constructed as part of the Project.

1.50 "Project" means the total design and construction, including all professional design services, and all labor, materials and equipment used or incorporated in such design and construction of a four-story first-class office building to be constructed on the Land containing approximately 200,000 square feet of area as more fully described in the Building Design Guidelines, including all HVAC, electrical and other building systems, Tenant

Improvements and surface parking lots containing approximately 670 parking spaces. The Project shall include work that is consistent with and reasonably inferable from the approved Project Requirements as being necessary to produce the intended results.

The Project shall also include the Building Enhancements and Furnishings, but the costs thereof shall not be included in the determination of the Fixed Price.

1.51 "Project Budget" means the budget for development of the Project as revised from time to time by Developer and Landlord, in accordance with the Development Agreement.

1.52 "Project Contingency" means the contingency by that name set forth in the Project Budget. The amounts of the various line items of the Project Budget are estimates only of the Project Costs to be incurred. To the extent the actual Project Costs in any line item of the Project Budget exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known Project Costs will be less than the amount of the Project Budget, to the line item in which the excess Project Cost has been incurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, Developer is entitled to draw upon the Project Contingency for such excess Project Costs.

1.53 "Project Costs" means any payments owing under the Ground Lease prior to the Commencement Date, and all costs for the completion of the development, design, permitting and construction of the Project, including, without limitation, all permit expenses, all costs of the building shell and core, HVAC, electrical and other building systems, all costs of Tenant Improvements, all costs of fixtures, furnishing and equipment described in the Construction Documents, all costs of architectural services provided by the Architect under the Architect's Agreement, all costs of services provided by the Interior Architect under the Interior Design Contract with respect to the Tenant Improvements, all other professional design and other services provided by Contractors or other professionals engaged by the Developer or General Contractor, all amounts paid to General Contractor under the General Construction Contracts including all labor, material, and equipment used or incorporated in such design and construction, all amounts paid to other Contractors and subcontractors, if any, under any other Construction Contract or subcontract entered into by Landlord upon the written approval of Developer or by the Developer on behalf of and acting as the Landlord's agent in connection with the Project, including all labor, material, equipment used or incorporated in such design and construction, services provided by engineers, environmental consultants, surveyors and other professionals and consultants retained by Developer in connection with the Project, brokerage commissions, Developer's Overhead and Developer's Fee (as defined in the Development Agreement), insurance (other than Bond insurance), bonds (other than the Bonds), costs related to Tenant's occupancy of the Project in an amount agreed by Landlord and Tenant, applicable state and local retail sales, business and occupation and other taxes (including real property taxes and assessments accruing prior to Substantial Completion), plus the Tenant's Contingency and the Project Contingency; excluding only (a) Tenant's Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense), (b) financing costs, (c) costs for enhancements that are not included in the Project Requirements and not paid from the Tenant's Contingency; (d) costs of removing or remediating any Hazardous Substances in, on or emanating from the Real Property or any adjacent property; (e) costs of any off-site

improvements (e.g., traffic lights, freeway overpass improvements or exit ramps) required as a condition to or in connection with the development or construction of the Project; (f) costs of clearing title to the Real Property (\$1,707,269); and (g) Costs Not To Be Reimbursed.

The Project Costs shall also include the Off-Site Mitigation Fees and the costs of the Building Enhancements and Furnishings, none of which are subject to the Fixed Price.

1.54 "Project Requirements" means the Building Design Guidelines, applicable provisions from the Request for Proposal for the Project (Rev. July 9, 2002), Developer's response to such Request for Proposal dated October 23, 2002, and other requirements for the Project specifically agreed to by Landlord and Developer.

1.55 "Project Schedule" means the schedule for development and construction of the Project as revised from time to time by Developer and Landlord; provided, however, that in no event shall the Project Schedule provide for Substantial Completion to occur later than the date twenty-three (23) months after Bond Closing without the concurrence of Tenant. The initial Project Schedule is set forth in **Exhibit B** attached hereto and by this reference incorporated herein.

1.56 "Punch List" means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Landlord's ability to lease the Premises to Tenant and do not affect Tenant's ability to use the Premises for their Permitted Use.

1.57 "Rent" means Monthly Rent and Additional Rent, each as defined herein.

1.58 "Requirements of Law" means all requirements relating to land and building construction (including those specifically applicable to Tenant's contemplated use of the Premises), including, without limitation, planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, ordinances, and covenants, conditions and restrictions, which now apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Premises or any part thereof.

1.59 "Sale of the Bonds" means either the acceptance of a bid at a competitive sale for the Bonds or the execution and delivery by Landlord and a responsible bond underwriter of an agreement providing for the purchase and sale of Bonds and with no conditions to the underwriter's obligation to pay for and accept delivery of the Bonds other than those conditions contained in the agreement between Landlord and the responsible bond underwriter.

1.60 "State Nonprofit Corporation Act" means the Washington Nonprofit Corporation Act, Chapter 24.03 RCW, as amended from time to time.

1.61 "Substantial Completion" means that each of the following events shall have occurred with respect to the Project:

(a) Developer shall have notified Landlord in writing that the Project, including all Tenant Improvements (which may exclude street level retail rental space) are

Substantially Completed in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(b) Architect shall have issued its "Certificate of Substantial Completion" AIA Document G704 stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Project for its Permitted Use;

(c) The City of Tumwater has issued a temporary certificate of occupancy such that the Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Project for its Permitted Use;

(d) Landlord has received satisfactory evidence from the Developer that all real property taxes and assessments on the Project payable by Developer that were due and owing have been paid;

(e) Each Contractor shall have issued its "Certificate of Substantial Completion" together with its Affidavit of Payment of Debts and Claims, AIA Forms 706 and 706A together with partial waivers and releases of lien for work performed prior to the date of its "Certificate of Substantial Completion" in form satisfactory to Landlord, with Tenant's concurrence, from such materialmen, laborers, contractors and subcontractors as Landlord, with Tenant's concurrence may require; and

(f) Landlord, with Tenant's concurrence, shall have accepted the Project as Substantially Complete, subject to completion of the Punch List items agreed upon by Landlord, with Tenant's concurrence.

1.62 "Substantially Complete" means that the Project has been constructed in substantial accordance with the Contract Documents and: (a) all elements required for the functioning of the Project shall be operational and in good working order and condition including satisfying applicable ADA building requirements and the Washington State Law Against Discrimination, RCW ch. 49.60, as well as regulations adopted thereunder; (b) the Project shall be weather tight and waterproof; (c) the fire and life safety systems within the Project shall be operational and in good working order and condition; (d) the elevators shall operate and function in good working order and condition, but may still require touch up installation and cleaning; (e) the mechanical and electrical systems, including the HVAC system, shall be individually tested and in good working order able to support the Project and shall also be tested to assure that Project systems operate on an integrated basis, but the HVAC system may still require final balancing work; (f) the finish work is substantially completed, including, but not limited to public lobby, elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, partitions, cabinetry, carpet and base, including removal of all construction debris; (g) all site utilities, sidewalks and landscaping are substantially completed and construction barricades and equipment have been removed; and (h) the access and security systems for the Project are installed and operational, except in each case minor Punch List items which do not materially affect use and occupancy of the Project for its Permitted Use.

1.63 "Taxes" means all real property taxes and assessments (including assessments for special improvements), license and permit fees, charges for public utilities, leasehold excise taxes, other excise taxes, levies, sales, use and occupancy taxes, any tax or charge assessed against the Rent or fair market value of the Premises and any taxes levied or assessed in addition to or in lieu of, in whole or in part, such taxes, assessments or other charges and all other governmental impositions and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen of every character (including interest and penalties thereon) which at any time from and after the Commencement Date of this Lease may be imposed, levied upon or assessed against or which arise with respect to or constitute a lien upon the Premises (or any part thereof), the leasehold estate created by this Lease or any part thereof, or any estate, right or interest therein, or any occupancy, use or possession of or activity conducted on the Premises or any part thereof.

1.64 "Tenant" means State of Washington, acting through the Department of General Administration, and its successors and permitted assigns.

1.65 "Tenant Improvements" means those certain interior improvements to the Project, all of which are more specifically defined in the Construction Documents.

1.66 "Tenant's Construction Representative" means the Assistant Director, Division of State Services of the Department of General Administration or the Assistant Director's designee as may be named in a notice from Tenant to Landlord given from time to time.

1.67 "Tenant's Contingency" means the contingency in the amount of \$1 million which may be used to cover any changes in the Project resulting from any material improvements or deviation requested by Tenant from the design or level of quality reflected in the Building Design Guidelines as set forth in Section 9.4 below.

1.68 "Tenant's Personal Property" means Tenant's furniture, equipment and movable property placed in the Premises by the Tenant and any property installed in or about the Premises by Tenant; provided, however, that fixtures, furnishing and equipment described in the Construction Documents as being part of the Project are not deemed to be part of Tenant's Personal Property. Tenant shall provide Tenant's Personal Property at Tenant's sole cost and expense.

1.69 "Term" means the period beginning on the Effective Date and ending on the earliest to occur of (i) termination of the Lease pursuant to Section 9.17 below, (ii) a Permitted Termination Date or (iii) the Expiration Date.

1.70 "Trustee" means a national bank or other financial institution with trust powers selected by Landlord to serve as the bond trustee under the Indenture or any duly authorized successor thereto appointed pursuant to the Indenture.

1.71 "Unavoidable Delays" means any delay in the performance by Developer or General Contractor of its obligations with respect to construction of the Project caused by strikes (other than those directly caused by Developer's acts, omissions or failures to bargain in good faith), acts of God, unusually inclement weather, unavoidable casualties and similar causes which, after the exercise of due diligence to mitigate the effects thereof, delay construction of the

Project, other than such delays resulting from (a) Developer's or General Contractors' failure to comply with the terms and provision of the Development Agreement or the General Construction Contract, (b) increased prices, or (c) unavailability of funds, provided the Fixed Price is paid in accordance with the Development Agreement. Unavoidable Delays will entitle Developer to request an extension of time within which to complete the Project but will in no way entitle Developer to additional compensation.

1.72 "Utilities" means all utilities and services furnished to the Premises, including without limitation, gas, electricity, water, sewer, garbage collection, and telephone service.

2. Premises. Pursuant to RCW 39.94, Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term.

3. Term. The Term shall commence on the Effective Date and shall expire on the Expiration Date; provided, however, that the obligation of the Tenant to pay Rent shall not commence until the Commencement Date. Landlord and Tenant shall confirm the Commencement and Expiration Dates by executing within fifteen (15) days after the Commencement Date, a written Confirmation of Commencement and Expiration Dates in the form attached hereto as **Exhibit D**, which Confirmation of Commencement and Expiration Dates shall become a part of this Lease and be binding upon Landlord and Tenant to establish the actual Commencement Date and Expiration Date of the Term. Notwithstanding that the obligation of Tenant to pay Rent under this Lease shall not commence until the Commencement Date, all of the other terms and provisions of this Lease shall be effective from and after the Effective Date (except as otherwise provided herein).

4. Monthly Rent. Commencing on the Commencement Date, Tenant shall pay to Landlord or as Landlord may otherwise direct in writing and without deduction, offset, prior notice or demand, in advance on the first day of each month during the Term an amount equal to Monthly Rent. Tenant acknowledges that time is of the essence in payment of Monthly Rent since Landlord intends to use Monthly Rent to make principal and interest payments on the Bonds.

Monthly Rent for any partial month shall be prorated on a daily basis at the rate of 1/30th of the Monthly Rent. All Monthly Rent shall be paid directly to the Trustee.

The aggregate Monthly Rent allocable to the payment of the aggregate principal amount of the Bonds shall not exceed \$63,000,000.

5. Additional Rent; Payment of Operating Costs, Taxes and Utilities.

5.1 Absolute Net Lease. Tenant acknowledges that this Lease is an absolute net lease. From and after the Commencement Date, Tenant shall (i) provide for and pay costs of maintenance and operation of the Premises in accordance with Section 10.1 hereof, (ii) pay Taxes, (iii) pay Utilities, and (iv) reimburse Landlord for all Operating Costs. Prior to the Commencement Date of this Lease, all Operating Costs, if any, Taxes and Utilities relating to the Premises shall be paid by Developer or Landlord pursuant to the provisions of the Development Agreement.

5.2 Operating Costs. Operating Costs means any and all costs and expenses directly related to and incurred by Landlord from and after the Commencement Date of this Lease in connection with:

(a) the repair, replacement, operation, and maintenance of the Premises, including, without limitation, interior and exterior maintenance, all exterior doors and windows, elevators, sidewalks, driveways, interior perimeter and interior partition walls and finishes (including periodic painting thereof), exterior wall finishes, broken glass in exterior and interior doors and windows, roof, floor covering, window frames, gutters and downspouts, HVAC system, landscaping and all other areas used in connection with the Project, excluding, however those costs described in Section 5.3(j)-(l) below:

(b) the asset management fee paid Landlord under the operating budget and the property management fees paid to the entity or entities managing the Premises under property management contracts which meet the requirements of Section 10.2 of this Lease;

(c) the auditing fees incurred by Landlord in connection with the preparation of the financial statements required under Section 10.2 of this Lease;

(d) the expenses, fees and charges paid to the operator of the parking lot, if any, and incurred in connection with operation of the parking lot, provided that Tenant has concurred with the imposition of parking fees and the hiring of an operator for the parking lot and further provided that such fees are competitive with then current market rates and any parking management contract which complies with Revenue Procedure 97-13 or any successor revenue procedure issued by the Internal Revenue Service governing management, operation or other service contracts in connection with the issuance of tax-exempt obligations;

(e) all costs of services furnished by or through Landlord (provided, however, Landlord shall be required to obtain such services at rates generally competitive in the marketplace), including janitorial, security (except as otherwise provided in Section 5.3(m)), gardening, landscaping, and related costs and expenses, licenses, permits, and inspection fees, the cost of supplies, materials, equipment, and tools used in connection with the maintenance, operation, repair or replacement of the Premises and all other reasonable, necessary and customary costs and expenses directly related to the operation, maintenance, repair and replacement of the Premises;

(f) any damage to the Premises (but not to Tenant's Personal Property) caused by breaking and entering;

(g) all costs of compliance with governmental laws or the board of fire underwriters (or similar organization) now or hereafter constituted in applicable to the Premises;

(h) all insurance premiums for insurance required to be carried under this Lease (including loss of rent insurance required under the Mortgage);

(i) all rent and other payments owing by Landlord under the terms of the Ground Lease;

- (j) [intentionally left blank];
- Section 10.2(d);
- (k) amounts for deposit in the Capital Repairs Fund pursuant to
- Indenture;
- (l) any Rebatable Arbitrage payable pursuant to Section 4.13(b) of the
- Indenture; and
- (m) any Trustee fees payable by Landlord in accordance with the
- (n) [intentionally left blank].

5.3 Exclusions from Operating Costs. Operating Costs shall not include:

- Premises;
- (a) costs incurred in connection with the original construction of the
- (b) costs arising from Landlord's political or charitable contributions;
- (c) fines, penalties and interest penalties incurred as a result of
Landlord's negligence, inability or unwillingness to make payments when due or take such other
actions as may be required;
- (d) principal and/or interest payments required under any debt secured
by a mortgage or deed of trust on the Premises;
- (e) costs and expenses incurred in complying with Environmental
Laws, except costs or expenses incurred as a result of Tenant activities (as such Environmental
Laws exist as of the date of Substantial Completion of the Project);
- (f) legal fees, accountant's fees and other expenses incurred in
connection with (i) disputes with Tenant or associated with the enforcement of the terms of this
Lease (unless otherwise provided for herein to be paid by Tenant); (ii) arising out of Landlord's
violation of the terms of this Lease; or (iii) the defense of Landlord's title to or interest in the
Premises;
- (g) cost of any service provided to Tenant for which Landlord is
reimbursed, or any other expense for which Landlord is or will be reimbursed by another source
(i.e., expenses covered by insurance or warranties);
- (h) fees to Landlord or Developer for goods or services in excess of
the fees that would typically be charged by unrelated, independent persons or entities for similar
goods and services;
- (i) Taxes and Utilities paid by the Tenant directly to the applicable
government authority or utility provider pursuant to the provisions of Section 5.4 and Section 6
of this Lease;

(j) repairs or replacements made to rectify or correct any latent defect(s) in the original design, materials or workmanship of the Project, as originally constructed;

(k) repairs or replacements attributable to fire or other casualty to the extent covered by the proceeds of insurance required hereunder;

(l) repairs or replacements necessitated by the negligence or willful misconduct of Landlord, Landlord's employees, contractors or agents; or

(m) security services expenses to the extent that the responsibility for security is assumed by Tenant pursuant to Section 10.2(f) below.

5.4 Payment of Taxes by Tenant. From and after the Commencement Date of this Lease, Tenant shall pay all Taxes directly to the applicable governmental agency prior to delinquency and shall provide proof of such payment promptly to Landlord and Trustee. To the extent Taxes or other charges can be paid in installments, Tenant may pay such Taxes in installments and shall only be liable for Taxes which accrue from and after the Commencement Date of this Lease. With respect to any general or special assessments which may be levied against or upon the Premises, or which under the Laws then in force may be evidenced by improvement or other bonds or may be paid in annual installments, only the amount of such annual installment, and interest due thereon, shall be included within the computation of Taxes.

5.5 Real Property Tax Statements. Tenant shall make appropriate arrangements to receive directly from the applicable governmental agency assessment notices and real property tax statements for the current year and Tenant shall provide a copy thereof promptly to Landlord and Trustee.

5.6 Right to Contest Taxes. If Landlord receives prior notice that an appraisal of the Premises, or any portion thereof, will be conducted for real property tax purposes, Landlord shall so notify Tenant and permit Tenant to be present during such appraisal if Tenant so elects. Tenant shall have the right in Landlord's name and stead, and at Tenant's sole expense, to contest the validity or amount of any real property taxes (provided all such taxes are paid when and as due). Landlord shall cooperate with Tenant and provide reasonable assistance with respect to any such contest, including, without limitation, such information and supporting documents as may be reasonably requested by Tenant. Notwithstanding any provision of this Lease to the contrary, Tenant shall not be required, nor shall Landlord have the right, to pay, discharge or remove any such real property tax so long as no Event of Default has occurred and Tenant is contesting the existence, amount, applicability or validity thereof by appropriate proceedings conducted in good faith with due diligence. In the event Landlord shall obtain a tax refund as a result of any such tax appeal or other proceedings Tenant shall be entitled to, and Landlord shall promptly pay to Tenant, all such tax refunds.

5.7 Payment of Operating Costs. From and after the Commencement Date of this Lease Tenant shall pay the Operating Costs to Landlord in the following manner. Tenant shall pay monthly, as Additional Rent, in advance, commencing on the Commencement Date, and on the first day of each month during the Term thereafter, an amount equal to one-twelfth

(1/12th) of the Operating Costs for each Calendar Year occurring from and after the Commencement Date of this Lease as reasonably estimated by Landlord. Within ninety (90) days after the end of each Calendar Year occurring during the Term (or, if applicable, the Expiration Date), Landlord shall furnish to Tenant a reconciliation statement of the actual Operating Costs for the preceding Calendar Year and Tenant's actual payment of the estimated Operating Costs. The reconciliation statement shall be prepared, signed and certified to be correct by Landlord. If the actual Operating Costs for that Calendar Year exceed the monthly payments of estimated Operating Costs made by Tenant, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the reconciliation statement. If Tenant's payments of estimated Operating Costs made during that Calendar Year exceed the actual Operating Costs, the excess shall be credited by Landlord to the Additional Rent next due and payable; provided, however, that such excess sum which is more than three (3) months of then estimated Operating Costs shall be paid to Tenant in cash via Landlord's check within thirty (30) days after the reconciliation statement.

5.8 Proration. Operating Costs shall be prorated on the basis of a 365-day year to account for any fractional portion of a Calendar Year included in the Term at its commencement and expiration.

5.9 Right to Audit. Each Calendar Year, within that period expiring thirty (30) days after Tenant's receipt of the reconciliation statement provided under Section 5.7 herein, Tenant shall have the right to audit Landlord's books and records pertaining to the accuracy of the computation of Operating Costs. Copies of such audit shall be delivered to Landlord. If, after consultation with Landlord to determine such accuracy, any such audit, conducted in accordance with generally accepted accounting principles, reveals a discrepancy between Landlord's statement of the actual Operating Costs for a Calendar Year and the amount determined by such audit, then Landlord shall reimburse to Tenant the excess amount paid by Tenant (or Tenant shall pay to Landlord the deficiency), if any; and, if such discrepancy exceeds three percent (3%) or more, Landlord shall pay for the cost of such audit.

Tenant shall also have the right either before or after Final Acceptance to cause Landlord to undertake an audit of the books and records of Developer or any Project contractor in accordance with Section 18(b) of the Development Agreement and to submit the results of any such audit to Tenant. Costs incurred by Landlord in connection with any such audit shall be reimbursed by Tenant.

5.10 Warranties. During the Term of this Lease, Landlord shall exert its good faith and diligent efforts to enforce any and all applicable warranties, express or implied, in connection with defects which may arise in the original design, materials or workmanship of the Premises as originally constructed.

6. Utilities. From and after the Commencement Date of this Lease, Tenant shall be solely responsible for and shall pay separately for all charges for Utilities used or consumed in the Premises. It is understood that Landlord shall not be required to provide any Utilities to Tenant, and Tenant shall make any necessary arrangements to have all such Utilities billed directly to and paid for directly by Tenant.

7. **Use.** Tenant intends to use the Premises for government offices and may use the Premises for any other lawful use consistent with the provisions of this Section 7 (the "Permitted Use"). Tenant acknowledges that the aggregate square footage of leasable space in the Project that is subleased by Tenant to private persons shall not exceed 4,000 square feet unless Landlord, Trustee and Tenant receive an opinion of nationally recognized bond counsel that any such lease and/or sublease will not adversely affect the tax-exempt status of interest payable on the Bonds. Tenant has determined to its satisfaction that the Premises can be used for the Permitted Use. Tenant's use of the Premises shall be in accordance with the following:

7.1 No Insurance Cancellation. Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises.

7.2 Compliance with Laws. From and after the Commencement Date of this Lease, or such earlier date as Tenant occupies the Premises, Tenant shall comply with all Laws concerning the Premises and Tenant's use of the Premises, including without limitation, Environmental Laws. Tenant shall not use the Premises for the transportation, storage or generation of any Hazardous Substances in violation of Environmental Laws. From and after the Commencement Date of this Lease or such earlier date as Tenant occupies the Premises, and to the extent permitted by law, Tenant shall indemnify, defend and hold Landlord harmless from and against any and all debts, demands, obligations, liens, judgments, claims, liabilities, losses, damages, cleanup costs and expenses (including reasonable attorneys' fees) now or hereafter arising in connection with the presence, transportation, storage, disposal or handling of Hazardous Substances located in, on or about the Premises caused by or resulting from the actions of Tenant, its agents or employees after the Commencement Date of this Lease or such earlier date as Tenant occupies the Premises, excluding (a) any Hazardous Substances present on the Premises prior to the Commencement Date of this Lease; (b) any such debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost or expense resulting from the actions or omissions of Landlord, Developer, General Contractor and their respective agents, employees, contractors, subcontractors or invitees; or (c) any debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost or expense as a result of Landlord's violation of any contractual obligation under this Lease, the Indenture, or any other document executed by Landlord in connection with a Mortgage incurred in connection with Section 11 of this Lease. This indemnification shall survive the Expiration Date of this Lease.

7.3 No Waste, Nuisance or Damage. Tenant shall not use the Premises in any manner that will constitute waste of the Premises or nuisance and Tenant shall not do anything on the Premises that will cause damage to the Premises.

7.4 Tax Covenants. At all times from and after the Effective Date, Landlord (a) shall maintain its purposes and engage only in activities which are in furtherance of its purposes and which are permitted by the State Nonprofit Corporation Act; (b) will maintain its status as a nonprofit corporation under the State Nonprofit Corporation Act and as an organization described in Section 501(c)(3) of the Code whose income does not inure to the benefit of any private person; (c) shall not encumber, pledge, hypothecate or grant a security interest in all or any part of the Premises (except for the Indenture and the Mortgage which comply with the provisions of Section 11 of this Lease) or except as consented to by Tenant and Trustee in writing; (d) shall not engage in any activities related to the Premises or the Mortgage

(except those specifically set forth in Sections 9 and 11 of this Lease) which would cause the transaction contemplated under this Lease to constitute an unrelated trade or business determined by applying Section 513(a) of the Code; and (e) will not take any action or omit to take any action which, if taken or omitted, would adversely affect the tax-exempt status of interest payable on the Bonds. At all times during the term of this Lease, Landlord shall not assign its rights under this Lease (except to Trustee pursuant to the Indenture and the Mortgage) without the prior written consent of Tenant and Trustee and the opinion of nationally recognized bond counsel to the effect that such assignment will not adversely affect the tax-exempt status of interest payable on the Bonds. At all times from and after the Effective Date of this Lease, Tenant covenants that it will not take any action or omit to take any action which, if taken or omitted, would adversely affect the tax-exempt status of interest payable on the Bonds.

8. Liens; Port of Olympia's Reversionary Rights.

8.1 Covenant Against Liens. Except for the Indenture and the Mortgage incurred by Landlord in compliance with the provisions of Sections 9 and 11 of this Lease to secure the Bonds, Landlord covenants and agrees that it shall not during the Term of this Lease suffer or permit any Liens to be attached to, upon or against the Premises, or any portion thereof or any Rent payable under this Lease for any reason, including without limitation, Liens arising out of the possession, use, occupancy, acquisition, construction, repair, or rebuilding of the Premises or by reason of the furnishing of labor, services, materials, or equipment to the Premises or to Landlord. Tenant acknowledges that Landlord shall cause Developer to keep the Premises free and clear of all construction liens resulting from the initial construction of the Project (including the right to contest same by appropriate proceedings conducted in good faith with due diligence) under the terms of the Development Agreement prior to the Commencement Date of this Lease. If Developer shall fail to do so, Landlord shall protect, defend, indemnify and hold Tenant harmless against any such liens. Landlord agrees to indemnify, protect, defend and hold Tenant harmless from and against all liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) incurred in connection with any such Lien. Landlord's obligations pursuant to this Section 8.1 shall survive the Expiration Date of this Lease.

8.2 Covenant to Remove Liens. Landlord will promptly, and in all events within thirty (30) days following the attachment of same, remove and discharge any and all Liens which attach to, upon or against the Premises or any portion thereof, or any leasehold interest of Tenant created under this Lease (other than liens or encumbrances arising through the actions of Tenant). Landlord reserves the right to contest the validity or amount of any such Lien in good faith provided that, within thirty (30) days after the filing of such Lien, Landlord discharges said Lien of record or records a bond which complies with the requirements of RCW 60.04.161 eliminating said Lien as an encumbrance against the Premises. In the event Landlord shall fail to so remove any such Lien, Tenant may take such action as Tenant shall reasonably determine to remove such Lien and all costs and expenses incurred by Tenant including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Landlord to Tenant together with interest thereon at the rate of twelve percent (12%) interest per annum from the date advanced until paid. Landlord's obligations pursuant to this Section 8.2 shall survive the Expiration Date of this Lease.

8.3 Tenant's Disclaimer. Notwithstanding the consent or request of Tenant, express or implied, for the performance of any labor or services or for the furnishing of any materials or equipment for any construction, alteration, addition, repair or demolition of or to the Premises (or any part thereof), NOTICE IS HEREBY GIVEN THAT TENANT WILL NOT BE LIABLE FOR ANY LABOR, SERVICES, MATERIALS OR EQUIPMENT FURNISHED OR TO BE FURNISHED TO LANDLORD, OR ANYONE HOLDING AN INTEREST IN THE PREMISES (OR ANY PART THEREOF) THROUGH OR UNDER LANDLORD, AND THAT NO CONSTRUCTION OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES, MATERIALS OR EQUIPMENT SHALL ATTACH TO OR AFFECT THE INTEREST OF TENANT IN THE PREMISES. Nothing in this Section 8.3 shall relieve Tenant of its obligations to pay rent hereunder.

8.4 Port of Olympia's Reversionary Rights. As of the Effective Date, the Land is subject to certain reversionary rights held by the Port of Olympia ("Port Reversion Rights") pursuant to a Special Warranty Deed dated December 16, 1993 and recorded under Thurston County Auditor's File No. 9312160216. The Port of Olympia has agreed to relinquish the Port Reversion Rights in accordance with an Agreement dated July 24, 2003 between the Port of Olympia and Tenant. As additional consideration for Tenant's willingness to enter into this Lease, Landlord agrees to pay \$1,707,269 from the proceeds of the Bonds and to take all other steps reasonably required in accordance with the Port Agreement to obtain the Port's relinquishment of the Port Reversion Rights.

9. Construction of Project. Tenant would not have entered into this Lease but for the agreement by Landlord to undertake, at Landlord's sole cost and expense, the Project, including without limitation (i) the obtaining of financing for the Project, (ii) the acquisition of a leasehold interest in the Land by way of the Ground Lease, and (iii) the construction and equipping of the Premises for use by Tenant primarily as government offices. It is of critical importance to Tenant that the construction of the Project on the Land be completed in a timely manner, within the Project Budget and thereafter professionally managed by Landlord. Accordingly, Landlord shall diligently cause the Project to be designed, constructed and prosecuted to completion in a good and workmanlike manner and in accordance with the provisions of this Section 9, free and clear of all Liens and otherwise in accordance with the requirements of this Lease.

9.1 Development Agreement. To meet the requirements of this Lease for completion of the Project, Landlord shall, simultaneously with the execution of this Lease by the parties, enter into a Development Agreement with Developer.

9.2 Schedule for Design and Construction. Landlord and Tenant acknowledge and agree that the dates set forth in the initial Project Schedule attached hereto as **Exhibit B** and by this reference incorporated herein, and as revised from time to time in accordance with the terms of the Development Agreement, shall serve as target dates for achieving the matters set forth therein. In order to ensure to the greatest extent practicable that the Project is designed, permitted and completed on or before the dates set forth in the Project Schedule, Landlord and Tenant shall each proceed with all necessary due diligence and in good faith to complete such matters as require action or approval on the part of Tenant and Landlord. Landlord shall, following consultation with Tenant, promptly and diligently respond to all

questions and concerns raised by Developer or by the Architect, Interior Architect, Contractors, engineers or other consultants.

(a) **Notices from Developer to Landlord.** To ensure that Tenant is fully apprised of decisions required of Landlord pursuant to the Development Agreement, Landlord shall require Developer to simultaneously provide to Tenant a copy of all notices, plans and specifications, change orders, Project Applications for Payment, progress reports, invoices, cash flow reports, documents or other agreements required to be delivered by Developer to Landlord under the Development Agreement and Landlord shall also simultaneously provide to Tenant a copy of all notices, plans and specifications, change orders, invoices, cash flow reports, documents or other agreements required to be delivered by Landlord to Developer under the Development Agreement. In addition, Tenant shall have the right, but not the obligation, to attend all meetings, including without limitation, design meetings with Developer, Architect, Interior Architect and all other design professionals as appropriate in the course of development of all Construction Documents.

(b) **Notices by Tenant to Landlord and Developer.** To ensure that Developer is fully apprised of Tenant's position on Project decisions to be made by Landlord, Tenant shall have the right to simultaneously provide to Developer a copy of any notice Tenant issues to Landlord hereunder. Such notice shall be sent to the Developer at the following address by messenger or fax:

Wright Runstad Associates Limited Partnership
Attn: Greg Johnson and Cindy Edens
1191 2nd Avenue, Suite 2000
Seattle, WA 98101-2933
Fax: 206-223-8791

(c) **Tenant's Construction Representative.** Landlord shall, and shall direct Developer to, direct all notices and submittals required to be sent to Tenant hereunder to the attention of Tenant's Construction Representative.

9.3 Plans and Specifications.

(a) **Building Design Guidelines.** As of the date of this Lease, Tenant has reviewed and accepted the Building Design Guidelines for the Project to be constructed on the Land.

(b) **Construction Drawings and Detailed Specifications.** Landlord will cause the preparation by Architect of Construction Drawings and Detailed Specifications for the building shell and core and shall cause the preparation by Interior Architect of plans and specifications for Tenant Improvements, in each case for review and acceptance by Tenant. Landlord shall, following consultation with Tenant, cooperate in good faith with Developer to cause a completed design which meets all Requirements of Law and Project Requirements and is consistent with all Project Requirements and the building quality reflected therein. Accordingly, as provided above, Developer will provide Tenant a copy of all submittals requiring Landlord's review and approval pursuant to the Development Agreement, as and when such submittals are

provided to Landlord. Tenant shall only have the right to disapprove such Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, or (ii) do not comply with Requirements of Law, or (iii) do not comply with previous Construction Drawings and Detailed Specifications in all material respects, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. Tenant shall have the right to give notice to Landlord disapproving the Construction Drawings and Detailed Specifications and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to issue such notice so as to allow Landlord to make timely objection or comment, such submittals shall be deemed approved by Tenant. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the Project that have been approved by Landlord, following consultation and concurrence by Tenant, are called the Construction Documents.

(c) **Changes to Construction Documents.** Landlord has directed that Developer provide Tenant a copy of all proposed changes in the Construction Documents requiring Landlord's review and/or approval pursuant to the Development Agreement, as and when such proposed changes are provided to Landlord. Tenant shall have the right to give notice to Landlord disapproving any such proposed change in the Construction Documents within the time period set forth in the notice of any such proposed change. If Tenant fails to issue such notice so as to allow Landlord to make timely objection or comment, any such change shall be deemed approved by Tenant. If Tenant timely disapproves any such proposed change, Tenant shall notify Landlord in writing specifying the reason for its disapproval and Landlord shall so notify Developer. Tenant shall only have the right to disapprove changes which (i) are not a consistent development of the Project Requirements in all material respects, (ii) do not meet Project Requirements, (iii) do not comply with Requirements of Law, (iv) would violate the terms of any Permits, (v) would cause the Project Schedule to be adversely impacted as a result of such proposed changes, or (vi) involve proposed changes in work or materials which would result in a material change in appearance or diminution in quality of the Project. Disputes regarding a proposed change in the Construction Documents shall be subject to the dispute resolution process set forth in Section 9.5 of this Lease.

9.4 Tenant's Contingency. The Project Budget includes a Tenant's Contingency of \$1 million. During the course of the Project, Tenant may request changes in the Project but, if Tenant requires any material improvement or material deviation in the Construction Documents or the Detailed Specifications from the design or level of quality reflected in the Building Design Guidelines, any resulting increase in design or construction Project Costs and any costs resulting from a delay in the Project Schedule will be charged against the Tenant's Contingency up to a maximum of \$1 million. No further design changes shall be permitted unless Tenant can demonstrate the availability of funds to reimburse Landlord for any resulting increase in Project Costs and for any costs resulting from a delay in the Project Schedule. To the extent that the Construction Drawings and Detailed Specifications are consistent developments of the Building Design Guidelines, the Fixed Price shall not be adjusted for any change in the Project Costs required to construct the Project in accordance with such Construction Documents. Any portion of the Tenant's Contingency unexpended upon Final Acceptance of the Project shall be disbursed to Tenant for payment of the cost of additional improvements to the Project or deposited in the Bond debt service fund.

9.5 Dispute Resolution Process. Tenant and Landlord agree to follow the independent resolution process set forth in this Section 9.5 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Lease, the Project Schedule is not adversely impacted, and the Project as constructed will satisfy the Project Requirements. In the event that a dispute arises between Tenant and Landlord during the design or construction of the Project regarding the adequacy of any Drawings or Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with and reasonably inferable from the Project Requirements), the parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute within three (3) business days, either party may, by delivering written notice to the other, refer the matter to a dispute resolution mediator as set forth on the attached **EXHIBIT F**.

9.6 Permits; Costs; Compliance with Legal Requirements. Landlord shall cause Developer to secure at no cost to Tenant all Permits, licenses, permissions, consents and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Project pursuant to Requirements of Law. Tenant shall join in the application for such permits or authorizations whenever such joinder is required; provided, however, Tenant shall incur no expense or liability in connection therewith. Landlord shall cause all work on the Premises during the Term to be performed in accordance with the Development Agreement and all Requirements of Law and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction over the Project and/or the Premises.

9.7 Construction Contracts. Landlord intends to contract for the construction of the Project directly with the General Contractor and to cause Developer to serve as construction manager in connection therewith pursuant to the provisions of the Development Agreement. Landlord shall provide Tenant with a copy of the General Construction Contract with the General Contractor for Tenant's information. In addition, Tenant shall have the right to view, for its own information, all Construction Contracts and the bids submitted by potential Contractors and subcontractors.

9.8 Construction of Project. Landlord shall use its reasonable best efforts to commence initial construction of the Project following receipt of the clearing and grading permit and the foundation permit. Thereafter, following receipt of the building permit for the Project, Landlord shall cause construction of the Project to be diligently and continuously prosecuted. All work shall be performed in a good and workmanlike manner, shall be free of defects in the work and materials and shall be constructed and in substantial accordance with the Contract Documents, the requirements of this Lease and Requirements of Law. The Landlord shall use its reasonable best efforts to cause Substantial Completion of the Project on or before the date twenty-three (23) months after Bond Closing.

9.9 Payment of Project Costs and Other Costs Associated with the Project. Throughout the course of construction of the Project, Developer shall submit to Landlord on a monthly basis Project Applications for Payment in the manner, and with all supporting documentation described in, the Development Agreement. Pursuant to Section 9.2(a)

above, Landlord shall require Developer to simultaneously provide Tenant and Trustee with a copy of all such Project Applications for Payment and supporting documentation. Tenant shall have the right, but not the obligation, to give notice to Landlord objecting to any aspect of such submittals and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to give such notice so as to allow Landlord to make timely objection, Landlord shall be free to approve or to take such other action as it deems appropriate with respect to any such submittal. Any dispute with respect to Project Applications for Payment shall be subject to dispute resolution pursuant to Section 9.5 above.

9.10 Savings. Upon Final Acceptance of the Project, Landlord shall provide Tenant and Trustee notice of the unexpended amount of the Tenant's Contingency and the unexpended amount of the Project Contingency. Subject to any requirements of the Indenture, Landlord agrees that Tenant shall be entitled to 100% of the unexpended portion of the Tenant's Contingency, if any, and 50% of the unexpended portion of the Project Contingency, if any. (The remaining 50% of the unexpended portion of the Project Contingency shall be for the account of the Developer.) Following receipt of Landlord's notice, Tenant shall notify Landlord as to how the amount to which Tenant is entitled is to be applied and Landlord shall direct Trustee accordingly.

9.11 Substantial Completion of Project. Substantial Completion of the Project shall have occurred when all of the events described in Section 1.61 of this Lease have occurred.

9.12 Final Acceptance. Final Acceptance of the Project shall have occurred when all of the events set forth in Section 1.26 of this Lease have occurred.

9.13 As-Built Plans and Specifications; Manuals; Warranties; Permits and Licenses; and Survey. On or before Final Acceptance of the Project, Landlord shall provide Tenant with a complete and detailed set of "as-built" plans and specifications for the Project (Tenant Improvements to be provided on CAD), together with copies of all other materials received from Developer pursuant to the Development Agreement including manuals, warranties, permits and licenses and an as-built survey.

9.14 Enforcement of Warranties. Landlord shall take all actions reasonably requested by Tenant to enforce or otherwise obtain the benefit of any warranty received from the Developer, the General Contractor or any other contractors or any subcontractor thereof, or any supplier, materialman or manufacturer relating to the Project; provided, however, that Landlord shall incur no additional expense or liability in that connection. After expiration of any applicable warranty period, Tenant acknowledges that it shall be fully responsible for the cost of the maintenance and repair of the Premises pursuant to the terms of this Lease.

9.15 Inspection by Tenant. Tenant shall have the right to inspect the on-going construction of the Project and the Contract Documents upon reasonable prior notice to Landlord. In addition, Tenant shall have the right to have an independent consulting architect, engineer or other appropriate consultant inspect the Project and the Contract Documents. Landlord shall cause Developer to provide Tenant's Construction Representative with all updates

of the status of the construction of the Project issued to Landlord in accordance with the Development Agreement.

9.16 Unavoidable Delays. Notwithstanding the provisions of Sections 9.8, 9.11 and 9.12 above, the dates for obtaining Permits, commencing construction and achieving Substantial Completion and Final Acceptance of the Project shall be extended for Unavoidable Delays. In the event that Substantial Completion of the Project does not occur on or prior to the Developer Obligation Date, Developer shall pay to Trustee on the first day of each month an amount equal to (i) the Monthly Rent less (ii) any Additional Interest Earnings (as defined below), prorated retroactively for a partial month, until the earlier of Substantial Completion or termination of this Lease pursuant to Section 9.17 of this Lease. The Developer and the Landlord, with concurrence by the Tenant, shall direct Trustee to apply any Additional Interest Earnings to interest accrued on the Bonds during the month in which the Additional Interest Earnings accrue. As used in this Section 9.16, "Additional Interest Earnings" means interest earnings on the balance on hand in the Bond Proceeds Account of the Project Fund (as defined in the Indenture) in the event the Project has not achieved Substantial Completion by the Developer Obligation Date and thereafter during the period of time that Developer is obligated to and is paying Monthly Rent pursuant to this Section 9.16.

9.17 Termination of Lease. Upon sixty (60) days' prior written notice to Landlord and in the event that Substantial Completion of the Project has not occurred for any reason whatsoever including, but not limited to, Unavoidable Delays described in Section 9.16 above, by December 31, 2007, Landlord shall be in default under this Lease and Tenant shall have the right to terminate this Lease, without liability to Landlord.

9.18 No Amendment of Documents. In the event Landlord desires to amend the Architect's Agreement, the General Construction Contract, any Contract Document, the Development Agreement, the Indenture, the Mortgage, or any other document, contract or agreement entered into in connection with the Project or the Bonds, Landlord shall submit a copy of such proposed amendment to Tenant. In the event Tenant notifies Landlord within five (5) business days following receipt of such proposed amendment of its objection to such proposed amendment, Landlord shall not enter into the proposed amendment unless Landlord first (i) responds to the concerns expressed by Tenant and (ii) any such amendment does not materially and adversely affect the Project.

10. Maintenance and Modification.

10.1 Maintenance and Repair. Except as otherwise expressly provided herein and except for warranty claims for which Developer is responsible as provided in the Development Agreement and except for damage caused by the negligent acts or omissions of Landlord, from and after the Commencement Date of this Lease Landlord shall, at Tenant's sole cost and expense, maintain the Premises and appurtenances and every part thereof in good order, condition and repair and will take all action and will perform all interior and exterior, structural and non-structural, foreseen and unforeseen, ordinary and extraordinary, maintenance and repairs (excluding all necessary replacements, renewals, alterations, additions and any other work required following destruction or Condemnation of the Premises to the extent required under this Lease or as a condition of the continued use of the Premises or any work required by any order

of any court or governmental agency which shall be performed by Landlord in accordance with the provisions of Sections 19 and 20 of this Lease) required to keep all parts of the Premises in good repair and condition, subject to ordinary wear and tear. Except as otherwise expressly provided herein and except for warranty claims which Landlord shall cause Developer to cure or remedy in accordance with the provisions of the Development Agreement, Landlord shall not be required to pay for the cost required to maintain all or any part of the Premises in good order, condition and repair.

10.2 Management of Premises; Accounting.

(a) **Property Management.** Following Substantial Completion of the Project, Landlord shall at all times cause the Premises to be operated by a professional property management company selected by Landlord with the concurrence of Tenant with experience in managing commercial office buildings of comparable size and quality to the Premises at a management fee which shall not be in excess of the management fee charged by property management companies managing commercial office buildings of comparable size and quality in Thurston County. The property management contract shall comply with Revenue Procedure 97-13 or any successor revenue procedure issued by the Internal Revenue Service governing management, operation or other service contracts in connection with the issuance of tax-exempt obligations. Upon signing each property management contract, Landlord shall provide Tenant with an opinion of nationally-recognized bond counsel to the effect that the terms of that contract complies with such revenue procedures and will not adversely affect the tax-exempt status of the Bonds. Such property manager shall at all times operate the Premises in compliance with the requirements of all Laws and in compliance with the terms and provisions of this Lease and the Ground Lease. Tenant may, upon twenty four (24) months' written notice to Landlord (provided such notice may not be given until after the expiration of the third full year after the Commencement Date), or under the circumstances described in Subsection 10.2(c), below, elect to operate the Premises itself or by a property manager of its choosing, provided that if Tenant elects to do so, Landlord shall have no further rights or obligations under Subsections 10.2(a), 10.2(c), and 10.2(d), and Section 10.3 nor under Section 10.1 as it relates to ordinary maintenance of the Premises shall be of no further force or effect and provided further that Tenant shall operate and maintain the Premises to a standard equal to or better than that of Landlord.

(b) **Financial Statements.** As soon as reasonably possible and in any event within ninety (90) days after the close of each fiscal year of Landlord, Landlord shall deliver to Tenant and Trustee the (i) consolidated balance sheet of Landlord and the Premises as at the end of such fiscal year setting forth in comparable form the corresponding figures as at the end of the preceding fiscal year, certified as to accuracy by an officer of Landlord; (ii) statements of income, retained earnings and changes in financial position for such fiscal year of Landlord and the Premises setting forth in comparable form the corresponding figures for the previous fiscal year prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year certified as to accuracy by an officer of Landlord; (iii) operating statement for the Premises for the preceding Calendar Year certified as to accuracy by an officer of Landlord; and (iv) certificate executed by an officer of Landlord certifying compliance by Landlord with the

requirements of this Lease, the Mortgage, the Indenture and the Bonds. Such year-end balance sheet and income statements of the Premises shall be accompanied by an unqualified report and opinion of independent public accountants of recognized standing selected by Landlord and not objected to by Tenant, which report and opinion shall be in accordance with generally accepted auditing standards relating to reporting, or, if qualified, the opinion shall not be qualified due to any departure from any generally accepted accounting principles, and shall be accompanied by a statement of such accountants that in making the audit necessary for the certification of such financial statements and any such report, such accountants have obtained no knowledge of any default under this Lease, the Mortgage, the Indenture, the Bonds or any other evidence of indebtedness or of any event which, with notice or lapse of time, or both, would constitute an event of default under this Lease, the Mortgage, the Indenture, the Bonds or any other evidence of indebtedness or, if in the opinion of such accountants any such event of default or other event shall exist, shall include a statement as to the nature and status thereof.

(c) **Operating Budgets.** Landlord shall develop an annual operating budget for the Premises and shall submit a copy of such budget to Tenant no later than ninety (90) days prior to the commencement of each Calendar Year for review and approval by Tenant for the purpose of determining the amount of estimated Operating Costs expected to be incurred in connection with the Premises for the upcoming Calendar Year. If Tenant does not approve the proposed budget and Tenant and Landlord are unable to agree upon a budget by the 30th day prior to the commencement of the following Calendar Year, Landlord may, at its option and by written notice, cause the Tenant to involuntarily elect to undertake responsibility for management of the Premises under Subsection 10.2(a) above, effective as of the date stated in Landlord's notice, but no earlier than twenty four (24) months after the date of such notice.

(d) **Capital Repairs Fund.** The annual operating budget for the Premises prepared by Landlord for submission to Tenant shall include an amount, determined by Landlord, in consultation with Tenant and the property manager for the Premises, sufficient to fund a reserve for performance of anticipated capital repairs, replacements and improvements to the Premises during the term of the Lease. Such amount shall be transferred to the Capital Repairs Fund maintained by the Trustee under the terms of the Indenture. Amounts held in the Capital Repairs Fund shall be applied by Landlord to the costs of any necessary capital repairs, replacements or improvements included in any annual or supplemental operating budget approved by Tenant. The balance of any such approved costs shall be paid by Tenant.

(e) **Asset Management Fee.** As compensation for its services in overseeing the management of the Premises, the preparation of financial statements and the preparation of an operating budget for the Premises, Tenant shall pay Landlord an asset management fee equal to one percent (1%) of the Monthly Rent payable under this Lease. Such asset management fee shall be paid monthly in advance at the same time and in the same manner that Monthly Rent is paid.

(f) **Security.** Upon written notice from Tenant to Landlord not less than ninety (90) days prior to the commencement of any Calendar Year, Tenant may elect to assume the responsibility for providing security services for the Premises. From the effective date of any such notice until Tenant issues not less than ninety (90) days' notice revoking its assumption of responsibility for such security services, Tenant shall be solely responsible for the

performance of and payment for such security services for the Premises, all of which shall no longer be deemed to be part of the Operating Costs.

10.3 Tenant's Remedies. Tenant shall provide Landlord written notice of any maintenance or repair required to the Premises or of any default by Landlord in the performance of its obligations under Section 10.1 of this Lease. Landlord shall have thirty (30) days after receipt of notice from Tenant detailing the need for maintenance or repair, to commence to perform its obligations under this Lease, except that Landlord shall perform its obligations as soon as reasonably possible if the nature of the problem presents a hazard or emergency. If Landlord does not perform its obligations under Section 10.1 of this Lease within the time limitations set forth in this Section 10.3, provided written notice has been given to Landlord as provided in this Section 10.3, Tenant shall have the right, but not the obligation, to perform such maintenance and repair and shall have the right to be reimbursed by Landlord for the sum it actually expends in the performance of such work. If Landlord does not reimburse Tenant within thirty (30) days after demand from Tenant, Tenant shall have the right to pursue any and all remedies available at law or equity except that Tenant shall have no right to offset against Rent payable under this Lease.

10.4 Modifications, Alterations and Additions. From and after the Commencement Date of this Lease Tenant may, at Tenant's sole cost and expense, make modifications, alterations and additions to the Premises provided that such modifications, alterations and additions do not decrease the value of the Premises, and such modifications, alterations and additions shall be expeditiously completed in a good and workmanlike manner and in compliance with all applicable Laws and the requirements of all insurance policies required to be maintained by Tenant, without further consent from Landlord. Any modifications, alterations and additions made by Tenant shall remain on and be surrendered with the Premises on expiration or termination of the Term.

11. Landlord Financing of Project. Landlord shall not have the right to mortgage, pledge, encumber or assign the Premises in whole or in part except in connection with its financing of the Project through Bonds issued by Landlord pursuant to the Indenture and the Mortgage in compliance with the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service. Copies of the Indenture and the Mortgage securing the Bonds, together with the Uniform Commercial Code financing statements and the Subordination Agreement required in connection with such financing, shall be provided to and shall be approved by Tenant which approval shall not be unreasonably withheld provided Tenant receives an opinion from nationally recognized bond counsel acceptable to Tenant that the interest on the Bonds secured by such Mortgage is exempt from taxation under the provisions of the Code and the financing proposed by the Indenture and the Mortgage is otherwise in full compliance with all requirements of the Code in connection with the issuance of tax-exempt obligations which satisfy the requirements of Revenue Ruling 63-20, Revenue Procedure 82-26 and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financings. The Mortgage shall expressly provide that so long as Tenant is not in default under any of the terms, covenants or conditions of this Lease, the beneficiary under the Mortgage shall not disturb Tenant's possessory rights in the Premises in the event such beneficiary should foreclose the Mortgage. Landlord shall ensure that any official statement, offering circular or sales material relating to the Bonds includes language to the effect that (a)

the Bonds are not a debt or a general obligation of the State of Washington or any agency or subdivision thereof, or the contracting of indebtedness by the State, or a pledge of the faith and credit or taxing power of the State, for purposes of any constitutional or statutory limitation upon debt or the contracting of indebtedness); and (b) the State's obligation to make payments under the Lease Agreement is subject to appropriation and to emergency reduction or allotment under certain circumstances, and that such obligation to make such payments does not constitute a debt or a general obligation of the State of Washington or any agency or subdivision thereof, or the contracting of indebtedness by the State, or a pledge of the faith and credit or taxing power of the State, for purposes of any constitutional or statutory limitation upon debt or the contracting of indebtedness.

Upon the issuance of the Bonds, Landlord shall provide Tenant and the State Finance Committee with a certified transcript of proceedings of the Bonds, together with an opinion of nationally-recognized bond counsel, addressed to the State Finance Committee, to the effect that neither the Bonds nor the State's obligations to make payments under the Lease Agreement constitutes a debt or a general obligation of the State of Washington or any agency or subdivision thereof, or the contracting of indebtedness by the State, or a pledge of the faith and credit or taxing power of the State, for purposes of any constitutional or statutory limitation upon debt or the contracting of indebtedness.

12. Construction Liens. From and after the Commencement Date of the Lease Tenant shall pay all costs for modifications, alterations and additions done by it or caused to be done by it on the Premises as permitted by this Lease (other than the construction of the Project) and Tenant shall keep the Premises free and clear of all construction liens resulting from modifications, alterations and additions done by or for Tenant; provided, however, Tenant shall have the right to contest the correctness or validity of any such Lien by appropriate proceedings conducted in good faith with due diligence. Within thirty (30) days following written notice from Landlord, Tenant shall discharge said Lien of record or record a bond which complies with the requirements of RCW 60.04.161 eliminating said Lien as an encumbrance against the Premises if in the reasonable exercise of Landlord's judgment the protection of the Premises or Landlord's interest therein shall require such payment. In the event Tenant shall fail to so remove any such Lien, Landlord may take such action as Landlord shall reasonably determine to remove such Lien and all costs and expenses incurred by Landlord including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Tenant to Landlord. Tenant's obligations pursuant to this Section 12 shall survive the Expiration Date of this Lease.

Tenant acknowledges that Landlord shall cause Developer to keep the Premises free and clear of all construction liens resulting from the initial construction of the Project (including the right to contest same by appropriate proceedings conducted in good faith with due diligence) under the terms of the Development Agreement prior to the Commencement Date of this Lease. If Developer shall fail to do so, Landlord shall protect, defend, indemnify and hold Tenant harmless against any such liens.

13. Indemnity and Hold Harmless. Landlord and Tenant mutually agree that in any and all causes of action and/or claims or third party claims arising out of or in connection with the terms, activities, use and/or operations of this Lease, including the Premises, each party shall

be responsible to the other only to the extent of each other's comparative fault in causing the alleged damages or injuries.

As to any and all causes of action and/or claims or third-party claims arising from the sole fault of a party to this Lease, said party shall, to the extent permitted by law, have the duty to defend, save and hold the other party harmless and upon failure to do so, said party shall pay reasonable attorneys' fees, costs, and expenses incurred by the other party to this Lease in defense of said claims and/or actions.

Nothing contained within this Section 13 shall affect and/or alter the application of any other provision contained within this Lease.

14. Minimum Scope of Insurance Coverage for Landlord.

14.1 Landlord's Coverages. During the Term of this Lease, Landlord shall at a minimum maintain: commercial general liability insurance (Insurance Services Office form number (CG00 001 Ed. 11-88)), covering commercial general liability with a limit of not less than \$1,000,000 combined single limit per occurrence; \$2,000,000 aggregate. In addition, Landlord shall maintain workers' compensation coverage as required by the Industrial Insurance Act of the State of Washington, statutory limits.

14.2 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the Tenant. The deductible and/or self-insured retention of the policies shall not limit or apply to the Landlord and shall be the sole responsibility of the Landlord.

14.3 Other Insurance Provisions. The insurance policies required by this Lease are also to contain or be endorsed to contain the following provisions where applicable:

(a) Liability Policies:

(1) The Trustee and (with respect to Landlord's liability policy) the Tenant, its officers, officials, employees and agents are to be covered as additional insureds as respects liability arising out of activities performed by or on behalf of the Landlord in connection with this Lease.

(2) To the extent of the Landlord's negligence, insurance coverage shall be primary insurance as respects the Tenant, its officers, officials, employees and agents. Any insurance and/or self insurance maintained by Tenant, its officers, officials, employees and agents shall not contribute with the Landlord's insurance or benefit the Landlord in any way.

(3) Landlord's insurance shall apply separately to each insured against whom a claim is made and/or lawsuit is brought, except with respect to the limits of the insurer's liability.

(b) All Policies. Coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except by the reduction of the applicable aggregate limits by

claims paid, until after forty-five (45) days' prior written notice has been given to the Landlord, Tenant and Trustee.

(c) **Acceptability of Insurers.** Unless otherwise approved by Tenant and Trustee:

(1) Insurance is to be placed with insurers with a Best's rating of no less than A:III, or, if not rated by Best's with a rating in one of the two highest categories maintained by Standard & Poor's Rating Group and Moody's Investors Service.

(2) If at any time any of the foregoing policies shall be or become unsatisfactory to Tenant, due to a change in form or substance, or if a company issuing any such policy shall be or become unsatisfactory to the Tenant, the Landlord shall, upon notice to that effect from Tenant promptly obtain a new policy and shall submit the same to Tenant and Trustee with certificates and endorsements, for approvals.

15. Minimum Scope of Insurance Coverage for Tenant.

15.1 General Liability; Self-Insurance. From and after the Commencement Date, Tenant shall maintain, or cause to be maintained, in full force and effect, comprehensive general liability insurance covering the Premises in such amounts as may be established by Tenant from time to time but in any event not less than \$1,000,000 per occurrence. Tenant may provide all or a portion of any insurance by self-insurance. Such insurance shall be applied toward extinguishment or satisfaction of Tenant's liability under Section 13 of this Lease. Such insurance may be carried under a blanket policy with umbrella coverage. It is understood that this insurance covers any and all liability of Tenant and its officials, officers, employees and agents, and the procurement thereof does not constitute a waiver of the defense of governmental immunity. Such insurance (i) shall include coverage for any accident resulting in personal injury to or death of any person and consequential damages arising therefrom; (ii) shall include comprehensive property damage insurance; (iii) shall be issued by a financially responsible insurance company authorized to do business in the State of Washington and approved by the State's Office of Risk Management; (iv) shall name Landlord and Trustee as an additional insureds thereunder; (v) shall provide that the same may not be cancelled or given notice of non-renewal nor shall the terms of conditions thereof be altered, amended or modified without at least 45 days prior written notice being given by the insurer to Trustee; and (vi) shall include contractual liability coverage. Tenant shall furnish to Trustee on or before the Commencement Date and on or before the effective date of any such policy certificates of insurance or self-insurance evidencing that the same shall be in full force and effect on said effective date and that the premiums therefor have been paid.

15.2 Workers' Compensation. Landlord acknowledges, agrees and understands that Tenant is self-insured for all of its workers' compensation liability exposure. Tenant agrees, at its own expense, to maintain through its self-insurance program coverage for its workers' compensation liability exposure for the duration of the Term of this Lease. Following the Commencement Date, Tenant agrees to provide Landlord and Trustee with at least thirty (30) days' prior written notice of any change in the Tenant's self-insured status and will provide Landlord and Trustee with a certificate of self-insurance as adequate proof of insurance.

16. Property Insurance. Following the Commencement Date, Tenant will carry or cause to be carried fire and extended coverage insurance covering the Premises and all of Tenant's personal property in such amounts and covering such risks as Tenant may determine from time to time. Such insurance shall be carried with financially responsible insurance companies authorized to do business in the State of Washington and approved by the State's Office of Risk Management, and may be carried under a policy or policies covering other property owned or controlled by Tenant or may be accomplished through a program of self-insurance as provided for similarly situated facilities of Tenant. Tenant shall furnish to Trustee and Bond Insurer, on or before the effective date of any such policy, certificates of insurance or self-insurance evidencing that the insurance required by this Section 16 are in force and effect on the specified date and that the premiums therefor have been paid. Tenant agrees that such policies shall contain a provision that the same may not be cancelled or given notice of non-renewal nor shall the terms of conditions thereof be altered, amended or modified without at least 45 days' prior written notice being given by the insurer to Trustee. The amount of insurance maintained by Tenant shall be in such amounts as may be established by Tenant from time to time, or Tenant may be self-insured.

17. Waiver of Subrogation. Landlord and Tenant agree that they shall not make a claim against or seek recovery from the other for any loss or damage to their property, or the property of others resulting from the perils for which insurance coverage is provided, or required to be provided hereunder (or would have been provided had Tenant not elected to self-insure) and each hereby releases the other from any such claim or liability regardless of the cause of such loss or damage. Such waiver is conditioned upon the parties' ability to enter into such a waiver and is valid only to the extent allowed by their respective insurers.

18. Other Insurance Matters.

18.1 Insurance Requirements.

(a) At all times from and after the Effective Date of this Lease, Landlord and Tenant agree to procure and maintain in full force and effect for the duration of the Term of this Lease insurance or self-insurance as required by Section 14 and Section 15 above.

(b) Each insurance policy shall be written on an "occurrence" form.

(c) By requiring such minimum insurance as specified herein, neither party shall be deemed to, or construed to, have assessed the risks that may be applicable to the other party to this Lease. Each party shall assess its own risks and, if it deems appropriate and/or prudent, maintain greater limits or broader coverage.

(d) Nothing contained within these insurance requirements shall be deemed to limit the scope, application and/or limits of coverage afforded, which coverage will apply to each insured to the full extent provided by the terms and conditions of the policy(s). Nothing contained within this provision shall affect and/or alter the application of any other provision contained within this Lease.

(e) Each party shall furnish the other party with certificates of insurance and endorsements as required by this Lease. The certificates and endorsements for

each policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements for Landlord's insurance are to be on forms approved by Tenant and are to be received and approved by Tenant and Trustee prior to the Effective Date of this Lease. The certificate and endorsements for Tenant's insurance are to be received and approved by Landlord and Trustee prior to the Commencement Date of this Lease as appropriate. Tenant and Trustee each reserves the right to require complete certified copies of all required policies at any time.

18.2 Insurance Prior to the Commencement Date of this Lease. Prior to the Commencement Date of this Lease, Landlord and Tenant acknowledge, understand and agree that all liability and property insurance necessary in connection with the Premises (except for Tenant's comprehensive general liability insurance described in Section 15.1 of this Lease which can be self-insured by Tenant pursuant to Section 15.1 of this Lease) shall be obtained and thereafter maintained in full force and effect by Landlord or Developer with the cost to be allocated between Landlord and Developer pursuant to the provisions of the Development Agreement. Such insurance shall name Landlord, Tenant and Trustee as their respective interests may appear, shall name the Trustee as loss payee, where appropriate, and shall be in form satisfactory to Tenant and Trustee.

19. Destruction. In the event the Premises are damaged or destroyed by fire or other casualty, this Lease shall not terminate nor shall there be any abatement of the Rent otherwise payable by Tenant hereunder. Within 180 days following such damage or destruction, Tenant shall notify Trustee of its election to either prepay the monthly Rent or to rebuild the Premises. In the event Tenant elects to prepay the monthly Rent, Tenant shall, after deducting all costs and expenses incurred by Tenant and/or Trustee in connection with the negotiation, adjustment and collection of the insurance proceeds, pay Trustee such portion of the insurance proceeds as is necessary to prepay the Bonds then outstanding under this Lease in accordance with the special mandatory redemption provisions set forth in the Indenture. The balance of the insurance proceeds shall be retained by Tenant. In the event Tenant elects to rebuild the Premises, there shall be no abatement of Rent otherwise payable by Tenant hereunder. Tenant shall use such portion of the insurance proceeds as may be necessary to repair, rebuild or restore all or any portion of the Premises that may have been damaged or destroyed as nearly as practicable in full compliance with all legal requirements and to the same condition, character and at least equal value and utility to that existing prior to such damage or destruction. If the insurance proceeds are insufficient to pay in full the cost of any repair, restoration, modification, or improvement of any component of the Premises, Tenant may, subject to appropriation of sufficient funds, complete the work and pay any costs in excess of the amount of the insurance proceeds. Tenant shall not be entitled to any reimbursement therefor from Trustee nor shall Tenant be entitled to any diminution of any Rent otherwise payable hereunder.

20. Eminent Domain Proceedings or Loss of Title.

20.1 Applicable Provisions. The following provisions shall apply with respect to eminent domain proceedings or loss of title affecting the Premises:

(a) **Total Taking.** If all of the Premises are taken by eminent domain or there is a total loss of title to the Premises which is insured under a policy or policies of title

insurance, this Lease shall terminate as of the date when the condemning entity has the right to possession of the Premises.

(b) ***Partial Taking or Loss of Title.*** If a taking of any part of the Premises by eminent domain or loss of title to any part of the Premises renders the Premises unsuitable, in the judgment of Tenant, for the construction of the Project, or following construction of the Project the use and occupancy of the Premises, this Lease may, at the option of Tenant, be terminated as of the date when the condemning entity has the right to possession of the portion of the Premises so taken or lost, by written notice given to Trustee not more than one hundred eighty (180) days after Tenant receives notice of the taking or loss.

(c) ***Awards.*** In any proceeding whereby all or part of the Premises are taken by eminent domain or there is a loss of title to all or part of the Premises, whether or not the Tenant elects to terminate this Lease, all of the condemnation award or payments received from the title insurance companies which insured title to the Premises shall be paid to the Tenant who shall, after deducting all costs and expenses incurred by the Tenant and/or Trustee in connection with the negotiation, adjustment and collection of the award or payment, apply the award or payment as follows:

(i) In the event there is a complete failure of title to the Premises or all of the Premises are taken by eminent domain, or in the event of a partial loss of title or taking wherein Tenant has elected to terminate this Lease, Tenant shall pay Trustee such portion of the condemnation award or awards or title insurance payment or payments as is necessary to prepay the Bonds then outstanding under this Lease in accordance with the special mandatory redemption provisions set forth in this Lease. The balance of the award or awards or title insurance payment or payments, if any shall be retained by Tenant. This provision shall survive termination of the Lease as a result of any such eminent domain proceeding or loss of title.

(ii) In the event of a partial loss of title or taking wherein Tenant has not elected to terminate this Lease, the award or awards of title insurance payments or payments shall be retained by Tenant.

20.2. Continuance of the Lease Following Less Than Substantial Condemnation or Loss of Title to the Premises. If there is a partial taking of the Premises by eminent domain or a partial loss of title to the Premises and Tenant elects not to terminate this Lease, this Lease shall not terminate as to the remainder of the Premises and there shall be no abatement of Rent otherwise payable by Tenant hereunder and Tenant shall proceed immediately and with due diligence, using such portion of the condemnation award or awards or title insurance payment or payments as may be necessary to repair, rebuild or restore all or any portion of the Premises that may have been taken as nearly as practicable (i) in full compliance with all legal requirements and (ii) to the same condition, character and at least equal value and utility to that existing prior to such condemnation or loss.

20.3. Insufficiency of Condemnation Award or Title Insurance Payments. If the condemnation award or title insurance payment is insufficient to pay in full the cost of any repair, restoration, modification or improvement of any component of the Premises, Tenant may,

subject to appropriation of sufficient funds, complete the work and pay any cost in excess of the amount of the condemnation award or title insurance payment. Tenant shall not be entitled to any reimbursement therefor from Landlord or Trustee nor shall Tenant be entitled to any diminution of any Rent otherwise payable hereunder.

20.4. Temporary Taking. If the temporary use of all or any part of the Premises or the appurtenances thereto shall be taken, the term of this Lease shall not be affected in any way and Tenant shall continue to pay in full the Rent and other sums or sums of money herein provided to be paid by Tenant, and the entire award for such taking shall be paid to and retained by Tenant.

20.5. Personal Property and Moving Expenses. Any award or part of an award specifically paid as compensation for the taking of personal property, furniture or equipment owned by Tenant or any subtenant of Tenant or for the moving expenses of Tenant or any subtenant of Tenant, shall be payable to Tenant, or such subtenant, as the case may be.

20.6. Cooperation of Landlord. Landlord shall cooperate fully with Tenant at the expense of Tenant in filing any proof of loss with respect to any insurance policy covering the events described herein and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Premises or any part thereof and, to the extent it may lawfully do so, authorizes Tenant to litigate in any proceeding resulting therefrom in the name of and on behalf of Landlord. Without restricting Trustee's rights under the Mortgage, in no event will Landlord voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Premises or any part thereof without the written consent of Tenant.

21. Assignment of Project; Subletting. Landlord shall not assign its interest in the Lease or in the Premises (except to Trustee) without the prior written consent of Tenant and Trustee and a written opinion from nationally recognized bond counsel that any such sale, transfer, conveyance or assignment by Landlord of all or any portion of its interest in the Lease or the Premises will not have an adverse effect on the tax exempt status of interest payable on the Bonds and any attempted assignment in violation of the consent requirements under this Section 21 shall be null and void and shall constitute an event of default under the Indenture. Tenant shall not assign or encumber its interest in this Lease or in the Premises without the prior written consent of Landlord and Trustee together with an opinion of nationally recognized bond counsel that any such assignment will not adversely affect the tax exempt status of interest payable on the Bonds. Tenant may sublease the Premises or any portion thereof, to the extent and on the terms and conditions set forth under Section 7 of the Lease and so long as the execution of such sublease would not violate the provisions of Section 7 hereof; provided, however, that under no circumstances shall Tenant be released or relieved from any of its obligations hereunder. Any such assignment or sublease as provided for in this Section shall be in writing and shall require such assignee or subtenant to comply fully with the terms of this Lease, including, without limitation, the provisions of Section 7 regarding use of the Premises. Tenant shall provide Landlord and Trustee with written notice of any such assignment or sublease and a copy of any such assignment or sublease documentation.

22. Default by Tenant. The occurrence of any of the following shall constitute an Event of Default by Tenant under this Lease:

22.1 Payment. Failure (a) to make any Monthly Rent payments due under this Lease if the failure to pay is not cured within seven (7) days after written notice of such failure has been given by Trustee or Landlord to Tenant, or (b) failure to make any other payment required if the failure to pay is not cured within ten (10) days after written notice of such failure has been given by Landlord to Tenant.

22.2 Other Failure to Perform. Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice of such default has been given by Landlord to Tenant. If the default cannot reasonably be cured within thirty (30) days, then Tenant shall not be in default under this Lease if Tenant commences to cure the default within thirty (30) days and diligently and in good faith continues to cure the default; provided, however, that if such default is of a nature such that it cannot be cured within ninety (90) days Tenant shall obtain the written approval of Landlord and the Trustee to continue its efforts to cure such default following the ninety (90) day cure period. A Permitted Termination Event shall not constitute an Event of Default.

22.3 Late Charges; Interest on Past Due Monthly Rent. Tenant acknowledges that a late payment of Monthly Rent hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is difficult to ascertain. Therefore, in the event Tenant shall fail to pay any installment of Monthly Rent due hereunder for fifteen (15) days after the date such amount is due, Tenant shall also pay Landlord a late charge equal to two percent (2%) of the amount then owing and past due together with interest on such past due amount at an interest rate of twelve percent per annum (12%) commencing eight (8) days after the date such amount is due until paid. Payment of such late charges and/or default interest shall not excuse or cure any default by Tenant under this Lease.

23. Remedies for Tenant Default. If Tenant commits a default and fails to cure such default within the time period provided under Section 22 hereof, then Landlord, by providing Tenant with ten (10) days advance written notice, may cancel and terminate this Lease, evict the Tenant and re-enter the Premises, but notwithstanding such re-entry by Landlord, Tenant covenants and agrees to make good to Landlord any deficiency arising from a reentry and reletting of the Premises at a lesser Rent than the Rent agreed to through the Term of this Lease, provided Landlord has taken all reasonable measures to ensure that a maximum rental rate was obtained for reletting. Landlord shall provide notice to Tenant of any amount by which rentals from such reletting are less than the Rent and the due dates of such Rent. The deficiency amount for each such Rent payment shall be paid by Tenant on or before the due date for such Rent payment.

24. Signs. Tenant shall have the right to place identification signage, other signage, advertisements, awnings, banners or other exterior decorations on the exterior of the Premises without any further consent or approval from Landlord. Any sign that Tenant has the right to place, construct and maintain shall comply with all Laws, and Tenant shall obtain any approval required by such Laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval.

25. Landlord's Right to Enter the Premises. Landlord, its agents, assigns, employees, workmen or any person entitled to inspect the Premises under the Mortgage shall have the right to enter the Premises at reasonable times during Tenant's normal business hours for the below listed purposes; provided, however, Landlord acknowledges and agrees to comply with Tenant's requests regarding security. Landlord shall conduct its activities on the Premises as allowed in this Section in a manner that will cause the least possible inconvenience, annoyance or disturbance to Tenant. Landlord shall not be liable in any manner for any inconvenience, annoyance, disturbance, loss of business, nuisance, or other damage arising out of Landlord's entry on the Premises as provided in this Section, except damage resulting from the negligent acts or omissions of Landlord. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any right reserved in this Section:

25.1 Condition. To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease and to perform any required obligations under the Lease.

25.2 Notices. To serve, post or keep posted any notices required or allowed under the provisions of this Lease.

26. No Encumbrances by Landlord. Except to the extent expressly authorized in Sections 11 and 21 of this Lease Landlord shall not at any time during the Term of this Lease sell, transfer, lease (other than to Tenant pursuant to this Lease), convey, encumber (other than to Trustee pursuant to the Mortgage), pledge (other than to Trustee pursuant to the Indenture), hypothecate or otherwise grant a security interest in the Premises or any portion thereof.

27. Right to Estoppel Certificates. Each party, within fifteen (15) days after notice from the other party, shall execute and deliver to the other party, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications. Failure to deliver the certificate within such fifteen (15) day period shall be conclusive upon the party failing to deliver the certificate for the benefit of the party requesting the certificate and any successor to the party requesting the certificate, that this Lease is in full force and effect and has not been modified except as may be represented by the party requesting the certificate.

28. Limitation on Landlord's Liability. Notwithstanding any provision in the Lease to the contrary, Tenant agrees that it shall look solely to the estate and property of Landlord in the Premises, any insurance proceeds or condemnation proceeds payable to the Landlord under this Lease, and any sums paid to Landlord under the Development Agreement for the collection of any judgment requiring the payment of money by Landlord or for the enforcement of any other judgment or remedy against Landlord and no other assets of Landlord shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies.

29. Attorneys' Fees. In the event either party requires the services of an attorney in connection with enforcing the terms of this Lease, or in the event suit is brought for the recovery of any Rent due under this Lease or for the breach of any covenant or condition of this Lease, or for the restitution of said Premises to Landlord and/or eviction of Tenant during said Term or

after the expiration thereof, the prevailing party will be entitled to a reasonable sum for attorneys' fees, witness fees, and court costs, including costs of appeal.

30. Options to Prepay Lease and Purchase Premises; Surrender.

30.1 Option to Purchase. Provided that Tenant is not in default under this Lease, Tenant shall have the option to purchase the Premises and thereby terminate this Lease at any time permitted by the Indenture. The purchase price of the Premises shall be an amount calculated pursuant to Section 6.01 of the Indenture.

30.2 Exercise of Option. Tenant shall give Landlord and Trustee not less than sixty (60) days' prior written notice of its irrevocable election to exercise its option to purchase under Section 30.1 hereof in the form set forth in **EXHIBIT H** attached hereto. The purchase price and any Additional Rent then due and owing shall be paid in cash or same-day available funds by 10:00 a.m. Seattle time on the payment date specified in such notice (or such other date as Tenant, Trustee and Landlord may mutually agree).

30.3 Conveyance of Premises. On the payment date specified in the notice of election to exercise the purchase option, or such other date as Tenant, Trustee and Landlord may mutually agree, Landlord shall convey the Premises to Tenant by statutory warranty deed, and this Lease shall terminate. Said deed may list as exceptions all covenants, conditions and restrictions then recorded against the Premises so long as such exceptions: (i) are set forth in **EXHIBIT G** attached hereto; (ii) consist of non-delinquent real estate taxes and assessments, or (iii) arise by reason of Tenant's activities. Tenant shall pay the cost for any owner's policy of title insurance it elects to obtain in connection with such purchase. Landlord shall not be required to make any representations regarding the conditions of the Premises and Tenant agrees to accept the Premises in an "as is" condition. Nothing herein shall be construed to require Tenant to exercise the purchase option herein granted.

30.4 Surrender. Landlord shall, on the Expiration Date, surrender and deliver up the Premises, including all improvements then located thereon and the appurtenances thereto, into the possession of Tenant, in good order, condition and repair, free and clear of all lettings and occupancies, and free and clear of all liens and encumbrances other than those existing on the date of this Lease and those, if any, created by Tenant, without any payment or allowance whatsoever by Tenant. Landlord shall execute, acknowledge and deliver to Tenant such instruments of further assurance as in the opinion of Tenant are necessary or desirable to confirm or perfect Tenant's right, title and interest in and to all of the above-described property. The provisions of this Section shall survive the expiration or termination of this Lease.

31. Broker. Except for Wade Cole who represented Landlord in this transaction, Landlord and Tenant each represent to the other that neither is represented by any broker, agent or finder with respect to this Lease in any manner. Each party agrees, to the extent permitted by law, to indemnify and hold the other party harmless from and against any and all liability, costs, damages, causes of action or other proceedings instituted by any other broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of the indemnifying party in any manner whatsoever in connection with this Lease.

32. Miscellaneous Provisions.

32.1 Entire Agreement. This Lease sets forth the entire agreement of the parties as to the subject matter hereof and supersedes all prior discussions and understandings between them. This Lease may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized officer or representative of each party hereto.

32.2 Governing Law. This Lease shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

32.3 Severability. Should any of the provisions of this Lease be found to be invalid, illegal or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Lease shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the parties.

32.4 Jurisdiction. In the event any action is brought to enforce any of the provisions of this Lease, the parties agree to be subject to exclusive in personam jurisdiction in the Thurston County Superior Court for the State of Washington and agree that in any such action venue shall lie exclusively at Olympia, Washington.

32.5 Waiver. No waiver of any right under this Lease shall be effective unless contained in writing signed by a duly authorized officer or representative of the party sought to be charged with the waiver and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future right or of any other right arising under this Lease.

32.6 Captions. Section captions contained in this Lease are included for convenience only and form no part of the agreement between the parties.

32.7 Notices. All notices or requests required or permitted under this Lease shall be in writing, shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid, by nationally recognized overnight courier or by facsimile transmission and shall be deemed given when so delivered, received or faxed (provided the fax machine has issued a printed confirmation of receipt). All notices or requests to any party shall be sent to all other parties as follows:

If to Landlord:	Tumwater Office Properties c/o National Development Council 1425 Fourth Avenue, Suite 608 Seattle, Washington 98101 Facsimile: (206) 448-5246
If to Tenant:	State of Washington Department of General Administration Attn: Assistant Director, Division of State Services P.O. Box 41015 Olympia, Washington 98504-1015 Facsimile: (360) 586-9088

If to Trustee: J.P. Morgan Trust Company
Attn: Corporate Trust Services
1301 Fourth Avenue, Suite 3410
Seattle, Washington 98101
Facsimile: (206) 624-3867

Any party may change the address to which notices shall be sent by notice to the other party in the manner and with the effect set forth in this Section 32.7.

32.8 Binding Effect. Subject to the provisions of Sections 11 and 21 hereof, this Lease shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. No permitted assignment of this Lease or Tenant's rights hereunder shall be effective against Landlord unless and until an executed counterpart of the instrument of assignment shall have been delivered to Landlord and Landlord shall have been furnished with the name and address of the assignee. The term "Tenant" shall be deemed to include the assignee under any such permitted assignment. The term "Landlord" shall include any successors to or assigns of the Landlord's interest in the Premises following any foreclosure of the Mortgage, including Trustee or any purchaser at a trustee's or sheriff's sale of the Premises.

32.9 Gender and Number. As used in this Lease, the masculine shall include the feminine and neuter, the feminine shall include the masculine and neuter, the neuter shall include the masculine and feminine, the singular shall include the plural and the plural shall include the singular, as the context may require.

32.10 Nondiscrimination. Landlord and Tenant each agree it will not discriminate in employment at the Premises on the basis of race, color, religion, sex, national origin, veteran status, sexual orientation or physical and mental disability in regard to any position for which the prospective employee is qualified, nor will Landlord or Tenant maintain facilities which are segregated on the basis of race, color, religion, sex or national origin at the Premises.

32.11 Recording; Memorandum of Lease. Neither Landlord nor Tenant shall record this Lease without the written consent of the other; provided, however, that either Landlord or Tenant shall have the right to record a Memorandum of this Lease in the form attached hereto as **Exhibit E** and by this reference incorporated herein upon the Effective Date. Such Memorandum of Lease shall be amended by the parties and a new Memorandum recorded once the Commencement Date and Expiration Date of this Lease has been determined.

32.12 Time Is of the Essence. Time is of the essence in the performance of each party's obligations under this Lease. Each party will carry out its obligations under this Lease diligently and in good faith.

33. Prevailing Wage. Landlord agrees and covenants with Tenant that the Development Agreement shall obligate Developer to require contractors and subcontractors of such contractors in connection with such contracts as may be let regarding the construction of the Project to pay the prevailing wage to the workmen, laborers and mechanics as may then be

determined by the Washington State Department of Labor and Industries for the particular craft in the particular geographic area.

34. Authority. Landlord is a Washington non-profit corporation, duly organized, validly existing and in good standing under the laws of the State of Washington. Tenant is a political subdivision of the State of Washington. By execution of this Lease, Landlord and State represent that they have authority to enter into this Lease.

35. Sources of Funds for Obligations Hereunder.

35.1 Availability of Current Appropriations. Tenant has executed subleases of the Project with state agency tenants, and those subleases provide for payment by the sub-tenants from current appropriations of all amounts anticipated to be due and owing as Rent during the current Biennium.

35.2 Pledge to Budget and Seek Appropriations for Rent. Tenant pledges:

(a) to include in its biennial budgets required by law to be submitted to OFM all Rent required by this Lease;

(b) to submit budgets timely to OFM in accordance with applicable law,

(c) to use its best efforts to obtain appropriations by the State Legislature in amounts sufficient to pay all Rent required by this Lease,

(d) to include all Rent in its statements of proposed expenditures for each fiscal period required by law to be submitted to OFM, and

(e) to use its best efforts to obtain allotments by OFM of appropriated funds sufficient to pay all Rent.

In addition, if and to the extent that all or portions of the Project are sublet by Tenant to other state agencies, Tenant will work with each sub-tenant to ensure that the sub-tenant(s) also comply with the obligations set forth in the previous sentence. To the extent that Rent is paid by sub-tenants, the Tenant shall not be obligated to seek and obtain appropriations to pay Rent.

If Tenant anticipates that such appropriations will not be available during any Biennium, the Tenant shall notify the Trustee immediately.

35.3 Triple Net Lease. This Lease is a "triple net lease" and except as otherwise expressly provided in this Lease, Tenant's obligations to make Rent as provided in Sections 4 and 5 of this Lease and to perform and observe all other covenants and agreements of the State contained herein shall be absolute and unconditional and, except upon the occurrence of a Permitted Termination Event and the exercise of the rights granted in Section 36 hereof, the failure by the State to make Rent payments at the time and in the amounts set forth herein as and when the same becomes due shall constitute an Event of Default.

35.4 Contract Nonterminable. Except upon the occurrence of a Permitted Termination Event and the exercise of the rights granted in Section 36 hereof, this Lease shall not terminate, nor shall the State have any right to terminate this Lease or to be released or discharged from any obligations or liabilities hereunder for any reason, including, without limitation, damage or destruction of the Premises, it being the intention of the parties hereto that all Rent payable by the State hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

36. Permitted Termination Event; Termination and Return of Project. Notwithstanding the provisions of Section 35, Tenant's obligation to pay Rent is subject to appropriation by the Washington State Legislature and to emergency reduction or allotment in accordance with State law, and such obligation to make payments does not constitute a debt or a general obligation of the State of Washington or any agency or subdivision thereof, or the contracting of indebtedness by the State, or a pledge of the faith and credit or taxing power of the State, for purposes of any constitutional or statutory limitation upon debt or the contracting of indebtedness. Upon the occurrence of a Permitted Termination Event, Tenant shall vacate the Premises and deliver possession and control thereof to the Landlord on the Permitted Termination Date, this Lease shall terminate and Tenant shall thereupon be released of its obligations to make all further Rent hereunder with respect to the Project. If Tenant returns the Premises pursuant to the terms of this Section, the Trustee shall be entitled to retain all sums theretofore transmitted to the Trustee by Tenant. The occurrence of a Permitted Termination Event shall not constitute an Event of Default. If the State Legislature provides a supplemental appropriation or the Executive Order is withdrawn prior to the date that the Premises has been vacated and the Premises have not yet been sold, relet or otherwise disposed of, Tenant may, by notice to the Landlord, revoke the Permitted Termination Event and the Permitted Termination Date.

37. Tax Covenants.

37.1 Protection of Tax Exemption. Tenant covenants that (i) it will take, or require to be taken, all actions that may be required of Tenant for the interest payments under the Bonds to be and remain excluded from gross income for federal income tax purposes and from treatment as an item of tax preference for minimum tax imposed on individuals and corporations under the Code; (ii) it will not take or authorize to be taken any actions that would adversely affect the exclusion of interest on the Bonds under the Code; and (iii) it or persons acting for it, among other acts of compliance, will (1) apply the proceeds of the Bonds to the governmental purposes of the borrowing; (2) restrict the yield on investment property; and (3) refrain from certain uses of those proceeds and, as applicable, of the Project financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of said interest under the Code.

37.2 Use of Proceeds. Tenant covenants that it will use, and will restrict the use and investment of, the proceeds of the Bonds in such manner and to such extent as may be necessary so that (i) the Bonds will not (1) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (2) be treated other than as bonds to

which Section 103(a) of the Code applies, and (ii) the interest on the Bonds will not be treated as a preference item under Section 57 of the Code.

37.3 Bonds Not "Bank Eligible." The Bonds shall not be "qualified tax-exempt obligations" for purchase by financial institutions pursuant to Section 265(b) of the Code.

37.4 Other Occupants. Tenant represents that each every tenant (party occupying space within the Project under a written agreement providing for exclusive use or occupancy) will be either (1) a governmental entity or (2)(i) an organization described in Section 501(c)(3) of the Internal Revenue Code, (ii) exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (except for unrelated business income subject to taxation under Section 511 of the Internal Revenue Code); and (iii) not a "private foundation" described in Section 509(a) of the Internal Revenue Code (a "qualified 501(c)(3) organization").

37.5 Qualified Organizations. If any tenant of the Project is a qualified 501(c)(3) organization, its occupancy and use of the leased space shall be in furtherance of its exempt purposes, and such tenant use shall not result in any unrelated trade or business of Tenant or such tenant or by any person other than another qualified 501(c)(3) organization for its exempt purposes or a governmental unit.

37.6 Annual Certification. If any tenant of the Project is a qualified 501(c)(3) organization, such tenant shall be required to complete (or Tenant may certify on behalf of such tenant) an annual certification in the form attached hereto as **EXHIBIT I**, which shall be filed with Trustee:

37.7 Change in Use. No changes will be made in the use of the Project financed with the proceeds of the Bonds so as to impair the exclusion from gross income for federal income tax purposes of the interest paid under the Bonds.

37.8 Modification. This Section 37 may be modified upon receipt of an opinion of nationally recognized bond counsel to the extent necessary to ensure that this Lease or the Bonds are not classified as "private activity bonds" as defined in Section 141 of the Code.

All covenants of Tenant contained herein or in any tax compliance certificate or other instrument delivered by Tenant in connection with the execution and delivery of the Bonds, shall survive the execution and delivery hereof and the execution, sale and delivery of the Bonds as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

DATED the date first above written.

LANDLORD:

TUMWATER OFFICE PROPERTIES,
a Washington nonprofit corporation

By

Name: John Finke

Title: Vice President

Date: 1/20/04

APPROVED AS TO FORM:

TENANT:

STATE OF WASHINGTON,

Acting through the

Department of General Administration

By

Name:

Title: Assistant Attorney General

Date: 1/21/04

By

Name:

Title:

Date:

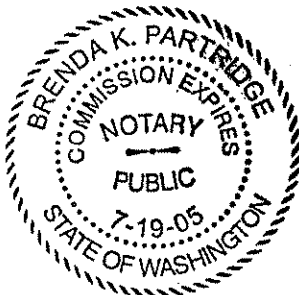
STATE OF WASHINGTON

COUNTY OF KING

ss.

I certify that I know or have satisfactory evidence that John Finke is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Vice President of TUMWATER OFFICE PROPERTIES, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 20 day of January __, 2004.



Printed Name

NOTARY PUBLIC in and for the State of Washington,

residing at

My Commission Expires

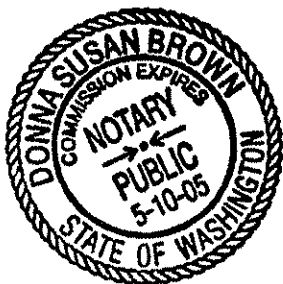
STATE OF WASHINGTON

COUNTY OF

SS.

I certify that I know or have satisfactory evidence that Robert D. Fukai is the person who appeared before me, and said person acknowledged that [he/she] signed this instrument, on oath stated that [he/she] was authorized to execute the instrument and acknowledged it as the Director of the DEPARTMENT OF GENERAL ADMINISTRATION, STATE OF WASHINGTON, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 21st day of January __, 2004.



Donna Susan Brown

Printed Name Donna Susan Brown

NOTARY PUBLIC in and for the State of Washington,

residing at Thurston Co., Olympia

My Commission Expires 5-10-05

EXHIBIT A

MONTHLY RENT

In the event that Substantial Completion occurs prior to June 1, 2006, Monthly Rent shall be \$236,503.13, prorated for any partial month. From and after June 1, 2006, Monthly Rent shall be as set forth on the attached schedule.

Monthly Rent Payments

Period Ending	Monthly Rent
05/01/2006	70,950.94
06/01/2006	236,503.12
07/01/2006	236,503.13
08/01/2006	236,503.12
09/01/2006	236,503.13
10/01/2006	236,503.12
11/01/2006	236,503.13
12/01/2006	236,503.12
01/01/2007	236,503.13
02/01/2007	236,503.12
03/01/2007	236,503.13
04/01/2007	236,503.12
05/01/2007	236,503.13
06/01/2007	236,503.12
07/01/2007	236,503.13
08/01/2007	329,836.45
09/01/2007	329,836.46
10/01/2007	329,836.46
11/01/2007	329,836.46
12/01/2007	329,836.46
01/01/2008	329,836.45
02/01/2008	329,836.46
03/01/2008	329,836.46
04/01/2008	329,836.46
05/01/2008	329,836.46
06/01/2008	329,836.46
07/01/2008	329,836.46
08/01/2008	301,203.12
09/01/2008	301,203.13
10/01/2008	301,203.12
11/01/2008	301,203.13
12/01/2008	301,203.12
01/01/2009	301,203.13
02/01/2009	301,203.12
03/01/2009	301,203.13
04/01/2009	301,203.12
05/01/2009	301,203.13
06/01/2009	301,203.12
07/01/2009	301,203.13
08/01/2009	310,844.79
09/01/2009	310,844.79
10/01/2009	310,844.79
11/01/2009	310,844.79
12/01/2009	310,844.79
01/01/2010	310,844.80
02/01/2010	310,844.79

Annual Debt Service Schedule

Period Ending	Total Debt Service
07/01/2004	1,253,466.56
07/01/2005	2,838,037.50
07/01/2006	2,838,037.50
07/01/2007	2,838,037.50
07/01/2008	3,958,037.50
07/01/2009	3,614,437.50
07/01/2010	3,730,137.50
07/01/2011	3,851,887.50
07/01/2012	3,942,687.50
07/01/2013	4,000,687.50
07/01/2014	4,112,687.50
07/01/2015	4,235,687.50
07/01/2016	4,359,337.50
07/01/2017	4,481,700.00
07/01/2018	4,607,250.00
07/01/2019	4,745,200.00
07/01/2020	4,879,237.50
07/01/2021	5,023,837.50
07/01/2022	5,162,687.50
07/01/2023	5,310,262.50
07/01/2024	5,465,250.00
07/01/2025	5,627,000.00
07/01/2026	5,790,000.00
07/01/2027	5,983,250.00
07/01/2028	4,814,250.00
Total	107,463,091.56

03/01/2010	310,844.79
04/01/2010	310,844.79
05/01/2010	310,844.79
06/01/2010	310,844.79
07/01/2010	310,844.80
08/01/2010	320,990.62
09/01/2010	320,990.63
10/01/2010	320,990.62
11/01/2010	320,990.63
12/01/2010	320,990.62
01/01/2011	320,990.63
02/01/2011	320,990.62
03/01/2011	320,990.63
04/01/2011	320,990.62
05/01/2011	320,990.63
06/01/2011	320,990.62
07/01/2011	320,990.63
08/01/2011	328,557.29
09/01/2011	328,557.29
10/01/2011	328,557.29
11/01/2011	328,557.29
12/01/2011	328,557.29
01/01/2012	328,557.30
02/01/2012	328,557.29
03/01/2012	328,557.29
04/01/2012	328,557.29
05/01/2012	328,557.29
06/01/2012	328,557.29
07/01/2012	328,557.30
08/01/2012	333,390.62
09/01/2012	333,390.63
10/01/2012	333,390.62
11/01/2012	333,390.63
12/01/2012	333,390.62
01/01/2013	333,390.63
02/01/2013	333,390.62
03/01/2013	333,390.63
04/01/2013	333,390.62
05/01/2013	333,390.63
06/01/2013	333,390.62
07/01/2013	333,390.63
08/01/2013	342,723.95
09/01/2013	342,723.96
10/01/2013	342,723.96
11/01/2013	342,723.96
12/01/2013	342,723.96
01/01/2014	342,723.95
02/01/2014	342,723.96
03/01/2014	342,723.96
04/01/2014	342,723.96

05/01/2014	342,723.96
06/01/2014	342,723.96
07/01/2014	342,723.96
08/01/2014	352,973.95
09/01/2014	352,973.96
10/01/2014	352,973.96
11/01/2014	352,973.96
12/01/2014	352,973.96
01/01/2015	352,973.95
02/01/2015	352,973.96
03/01/2015	352,973.96
04/01/2015	352,973.96
05/01/2015	352,973.96
06/01/2015	352,973.96
07/01/2015	352,973.96
08/01/2015	363,278.12
09/01/2015	363,278.13
10/01/2015	363,278.12
11/01/2015	363,278.13
12/01/2015	363,278.12
01/01/2016	363,278.13
02/01/2016	363,278.12
03/01/2016	363,278.13
04/01/2016	363,278.12
05/01/2016	363,278.13
06/01/2016	363,278.12
07/01/2016	363,278.13
08/01/2016	373,475.00
09/01/2016	373,475.00
10/01/2016	373,475.00
11/01/2016	373,475.00
12/01/2016	373,475.00
01/01/2017	373,475.00
02/01/2017	373,475.00
03/01/2017	373,475.00
04/01/2017	373,475.00
05/01/2017	373,475.00
06/01/2017	373,475.00
07/01/2017	373,475.00
08/01/2017	383,937.50
09/01/2017	383,937.50
10/01/2017	383,937.50
11/01/2017	383,937.50
12/01/2017	383,937.50
01/01/2018	383,937.50
02/01/2018	383,937.50
03/01/2018	383,937.50
04/01/2018	383,937.50
05/01/2018	383,937.50
06/01/2018	383,937.50

07/01/2018	383,937.50
08/01/2018	395,433.33
09/01/2018	395,433.33
10/01/2018	395,433.34
11/01/2018	395,433.33
12/01/2018	395,433.33
01/01/2019	395,433.34
02/01/2019	395,433.33
03/01/2019	395,433.33
04/01/2019	395,433.34
05/01/2019	395,433.33
06/01/2019	395,433.33
07/01/2019	395,433.34
08/01/2019	406,603.12
09/01/2019	406,603.13
10/01/2019	406,603.12
11/01/2019	406,603.13
12/01/2019	406,603.12
01/01/2020	406,603.13
02/01/2020	406,603.12
03/01/2020	406,603.13
04/01/2020	406,603.12
05/01/2020	406,603.13
06/01/2020	406,603.12
07/01/2020	406,603.13
08/01/2020	418,653.12
09/01/2020	418,653.13
10/01/2020	418,653.12
11/01/2020	418,653.13
12/01/2020	418,653.12
01/01/2021	418,653.13
02/01/2021	418,653.12
03/01/2021	418,653.13
04/01/2021	418,653.12
05/01/2021	418,653.13
06/01/2021	418,653.12
07/01/2021	418,653.13
08/01/2021	430,223.95
09/01/2021	430,223.96
10/01/2021	430,223.96
11/01/2021	430,223.96
12/01/2021	430,223.96
01/01/2022	430,223.95
02/01/2022	430,223.96
03/01/2022	430,223.96
04/01/2022	430,223.96
05/01/2022	430,223.96
06/01/2022	430,223.96
07/01/2022	430,223.96
08/01/2022	442,521.87

09/01/2022	442,521.88
10/01/2022	442,521.87
11/01/2022	442,521.88
12/01/2022	442,521.87
01/01/2023	442,521.88
02/01/2023	442,521.87
03/01/2023	442,521.88
04/01/2023	442,521.87
05/01/2023	442,521.88
06/01/2023	442,521.87
07/01/2023	442,521.88
08/01/2023	455,437.50
09/01/2023	455,437.50
10/01/2023	455,437.50
11/01/2023	455,437.50
12/01/2023	455,437.50
01/01/2024	455,437.50
02/01/2024	455,437.50
03/01/2024	455,437.50
04/01/2024	455,437.50
05/01/2024	455,437.50
06/01/2024	455,437.50
07/01/2024	455,437.50
08/01/2024	468,916.66
09/01/2024	468,916.67
10/01/2024	468,916.67
11/01/2024	468,916.66
12/01/2024	468,916.67
01/01/2025	468,916.67
02/01/2025	468,916.66
03/01/2025	468,916.67
04/01/2025	468,916.67
05/01/2025	468,916.66
06/01/2025	468,916.67
07/01/2025	468,916.67
08/01/2025	482,500.00
09/01/2025	482,500.00
10/01/2025	482,500.00
11/01/2025	482,500.00
12/01/2025	482,500.00
01/01/2026	482,500.00
02/01/2026	482,500.00
03/01/2026	482,500.00
04/01/2026	482,500.00
05/01/2026	482,500.00
06/01/2026	482,500.00
07/01/2026	482,500.00
08/01/2026	498,604.16
09/01/2026	498,604.17
10/01/2026	498,604.17

11/01/2026	498,604.16
12/01/2026	498,604.17
01/01/2027	498,604.17
02/01/2027	498,604.16
03/01/2027	498,604.17
04/01/2027	498,604.17
05/01/2027	498,604.16
06/01/2027	498,604.17
07/01/2027	498,604.17
08/01/2027	401,187.50
09/01/2027	401,187.50
10/01/2027	401,187.50
11/01/2027	401,187.50
12/01/2027	401,187.50
01/01/2028	401,187.50
02/01/2028	401,187.50
03/01/2028	401,187.50
04/01/2028	401,187.50
05/01/2028	401,187.50
06/01/2028	401,187.50
07/01/2028	401,187.50

Total	101,077,507.19
-------	----------------

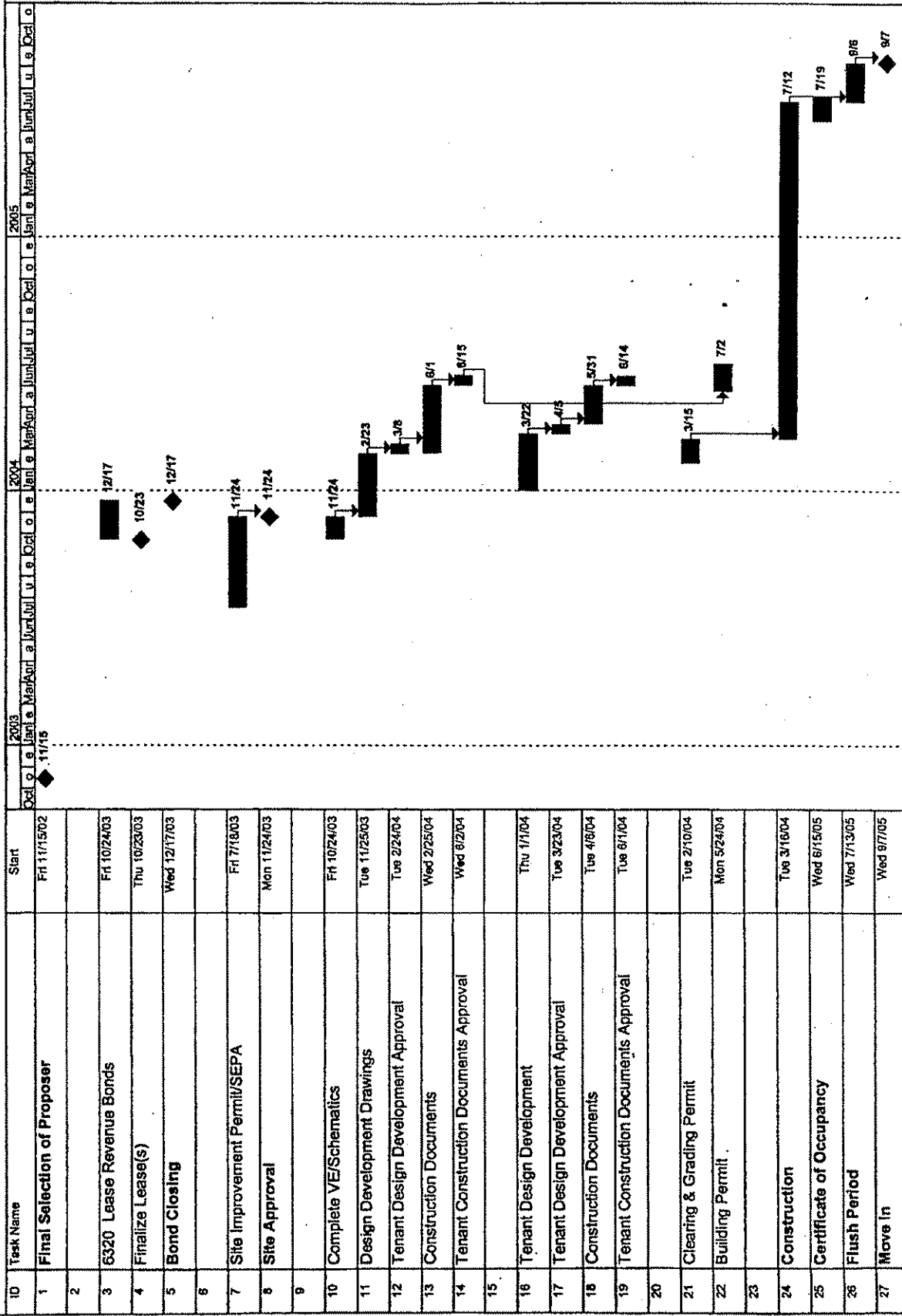
CAPI (Net Funded T	Net Debt Service
1,253,466.56	-
2,838,037.50	-
2,294,080.31	543,957.19
-	2,838,037.50
-	3,958,037.50
-	3,614,437.50
-	3,730,137.50
-	3,851,887.50
-	3,942,687.50
-	4,000,687.50
-	4,112,687.50
-	4,235,687.50
-	4,359,337.50
-	4,481,700.00
-	4,607,250.00
-	4,745,200.00
-	4,879,237.50
-	5,023,837.50
-	5,162,687.50
-	5,310,262.50
-	5,465,250.00
-	5,627,000.00
-	5,790,000.00
-	5,983,250.00
-	4,814,250.00
6,385,584.37	101,077,507.19

EXHIBIT B
PROJECT SCHEDULE

See attached schedule.

TUMWATER LEASE DEVELOPMENT PROJECT Design and Construction Schedule

Option 3
Bond 11-6



Tue 10/21/03 Simplified Schedule for Lease.mpp

WRIGHT RUNSTAD & COMPANY

EXHIBIT C

LAND

Parcel J:

Parcel "J" as shown on Record of Survey recorded in Volume 32 of Surveys at page 59; described as follows:

That portion of the Northwest quarter of Section 10, Township 17 North, Range 2 West, W.M., described as follows:

Commencing at the North quarter corner of said Section 10; thence North 87° 36' 00" West, along the North line of said Northwest quarter, 50.00 feet to the West margin of Linderson Way and the point of beginning; thence South 01° 57' 19" West 329.13 feet along said West margin; thence North 87° 30' 00" West 946.05 feet; thence North 02° 24' 00" East 329.12 feet to the North line of said Northwest quarter; thence South 87° 36' 00" East along said North line 943.49 feet to the point of beginning. TOGETHER WITH and subject to an easement for access and utilities 60.00 feet in width, being 30.00 feet on each side of the boundary line between Parcels "J" and "L", as shown on survey recorded in Volume 32 of Surveys at page 59; and those portions of Tract "J", "K", and "L", as shown on said recorded survey, included within the circumference of a circle having a radius of 60.00 feet, the center of said circle being at the corner common to said Tracts "J" and "L" on the East line of Tract "K"; and that portion of said Tract "J" lying Southerly of a curve concave to the North having a radius of 35.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet and the North line of the aforescribed 60.00 foot easement; and that portion of said Tract "L" lying Northerly of a curve concave to the South having a radius of 35.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet and the South line of aforescribed 60.00 foot easement; and that portion of said Tract "J" lying Southeasterly of a curve concave to the Northwest having a radius of 35.00 feet which curve is tangent to both the North line of the aforescribed 60.00 foot easement and the East line of said Tract "J"; and that portion of said Tract "L" lying Northeasterly of a curve concave to the Southwest having a radius of 35.00 feet which curve is tangent to both the South line of aforescribed 60.00 foot easement and the East line of said Tract "L".

Parcel K:

Parcel "K" as shown on Record of Survey recorded in Volume 32 of Surveys at page 59; described as follows:

That portion of the Northwest quarter of Section 10, Township 17 North, Range 2 West, W.M., described as follows:

Commencing at the North quarter corner of said Section 10; thence North 87° 36' 00" West along the North line of said Northwest quarter 50.00 feet to the West margin of Linderson Way; continuing thence North 87° 36' 00" West along said North line of the Northwest quarter 943.49 feet to the point of beginning; thence South 02° 24' 00" West 562.77 feet to the North margin of Airdustrial Way; thence North 70° 00' 16" West along said North margin 671.13 feet to the Easterly margin of the Northbound on-ramp to I-5; thence North 11° 49' 26" East along said Easterly margin 350.89 feet; thence North 15° 54' 36" East along said Easterly margin 14.12 feet to the North line of said Northwest quarter; thence South 87° 36' 00" East along said North line 578.98 feet to the point of beginning. TOGETHER WITH and subject to an easement for access and utilities 60.00 feet in width, being 30.00 feet on each side of the boundary line between Parcels "J" and "L" as shown on survey recorded in Volume 32 of Surveys at page 59; and those portions of Tracts "J", "K", and "L", as shown on said recorded survey, included within the circumference of a circle having a radius of 60.00 feet, the center of said circle being at the corner common to said Tracts "J" and "L" on the East line of Tract "K"; and that portion of said Tract "J" lying Southerly of a curve concave to the North having a radius of 35.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet and the North line of the aforescribed 60.00 foot easement; and that portion of said Tract "L" lying Northerly of a curve concave to the South having a radius of 35.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet and the South line of the aforescribed 60.00 foot easement; and that portion of said Tract "J" lying Southeasterly of a curve concave to the Northwest having a radius of 35.00 feet which curve is tangent to both the North line of the aforescribed 60.00 foot easement and the East line of said Tract "J"; and that portion of said Tract "L" lying Northeasterly of a curve concave to the Southwest having a radius of 35.00 feet which curve is tangent to both the South line of the aforescribed 60.00 foot easement and the East line of said Tract "L".

Parcel L:

Parcel "L" as shown on Record of Survey recorded in Volume 32 of Surveys at page 59; described as follows:

That portion of the Northwest quarter of Section 10, Township 17 North, Range 2 West, W.M., described as follows:

Commencing at the North quarter corner of said Section 10; thence North 87° 36' 00" West along the North line of said Northwest quarter 50.00 feet to the West margin of Linderson Way; thence South 01° 57' 19" West along said West margin 329.13 feet to the point of beginning; continuing thence South 01° 57' 19" West along said West margin 316.42 feet to a curve concave Northwesternly the radius point of which bears North 88° 02' 41" West 50.00 feet; thence Southwesterly along said curve through a central angle of 89° 59' 31" for a distance of 78.53 feet to the North margin of Airdustrial Way; thence North 88° 03' 10" West along said North margin 201.99 feet to a curve concave Northerly the radius point of which bears North 01° 56' 50" East 1,150.00 feet; thence Westerly along said curve through a central angle of 13° 57' 46" for a distance of 280.25 feet; thence North 74° 05' 24" West along said North margin 401.05 feet; thence North 70° 00' 16" West along said North margin 30.65 feet; thence North 02° 24' 00" East 233.65 feet; thence South 87° 36' 00" East 946.05 feet to the point of beginning. TOGETHER WITH and subject to an easement for access and utilities 60.00 feet in width, being 30.00 feet on each side of the boundary line between Parcels "J" and "L" as shown on survey recorded in Volume 32 of Surveys at page 59; and those portions of Tracts "J", "K", and "L", as shown on said recorded survey, included within the circumference of a circle having a radius of 60.00 feet, the center of said circle being at the corner common to said Tracts "J" and "L" on the East line of Tract "K"; and that portion of said Tract "J" lying Southerly of a curve concave to the North having a radius of 35.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet and the North line of the aforescribed 60.00 foot easement; and that portion of said Tract "L" lying Northerly of a curve concave to the South having a radius of 35.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet which curve is tangent to both the aforescribed curve having a radius of 60.00 feet and the South line of the aforescribed 60.00 foot easement; and that portion of said Tract "J" lying Southeasterly of a curve concave to the Northwest having a radius of 35.00 feet which curve is tangent to both the North line of the aforescribed 60.00 foot easement and the East line of said Tract "J"; and that portion of said Tract "L" lying Northeasterly of a curve concave to the Southwest having a radius of 35.00 feet which curve is tangent to both the South line of the aforescribed 60.00 foot easement and the East line of said Tract "L".

In Thurston County, Washington.

EXHIBIT D

CONFIRMATION OF COMMENCEMENT AND EXPIRATION DATES

In accordance with the provisions of Section 3 of the Lease as of this _____ day of _____, 20 __, Landlord and Tenant acknowledge, agree and confirm the following:

The Commencement Date of this Lease is: _____.

The Expiration Date of this Lease is: _____.

The foregoing agreement and confirmation shall be binding upon Landlord and Tenant and shall supersede and control over any other provision in the Lease regarding the Commencement Date and Expiration Date which might be construed other than as set forth in this Confirmation.

AGREED the day and year first above written.

LANDLORD:

TUMWATER OFFICE PROPERTIES,
a Washington nonprofit corporation

By _____
Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

TENANT:

STATE OF WASHINGTON,
Acting through the
Department of General Administration

By _____
Name: _____
Title: Assistant Attorney General
Date: _____

By _____
Name: _____
Title: _____
Date: _____

EXHIBIT E

MEMORANDUM OF LEASE

[NOTE: MEMORANDUM DATED OCTOBER 23, 2003 HAS BEEN RECORDED UNDER
THURSTON COUNTY RECORDING NO. 3592334]

*RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:*

HILLIS CLARK MARTIN & PETERSON, P.S.
Attn: Steven R. Rovig
500 Galland Building
1221 Second Avenue
Seattle, WA 98101-2925

MEMORANDUM OF LEASE

GRANTOR: TUMWATER OFFICE PROPERTIES

GRANTEE: STATE OF WASHINGTON,
Acting Through the Department of General Administration

Legal Description:

Abbreviated form:

Additional legal on page **Exhibit A** of document

Assessor's Tax Parcel ID No(s):

Reference number(s) of Related Document(s):

(Additional on page ____ of document)

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (the "Memorandum") is executed this _____ day of _____, 2003 and between **TUMWATER OFFICE PROPERTIES**, a Washington nonprofit corporation ("Landlord") and the **STATE OF WASHINGTON**, acting through the Department of General Administration ("Tenant").

1. **Lease.** Landlord has leased the real property described in **Exhibit A** attached hereto and by this reference incorporated herein (the "Premises") at a rent and on the terms and conditions set forth in that certain Lease Agreement dated _____, 2003 by and between Landlord and Tenant (the "Lease"). The Lease is for a term of _____ (____) years commencing _____, 2003 and shall expire _____, 20__ unless sooner terminated pursuant to the terms of the Lease; provided, however, that the Tenant's duty to pay Rent shall not commence until the Commencement Date.

2. **Definition of Terms.** All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Lease.

3. **Purpose of Memorandum.** This Memorandum is prepared for purposes of recordation only and does not set forth all of the terms and conditions set forth in the Lease. In the event there is any conflict between the terms and conditions of the Lease and this Memorandum, the Lease shall control.

DATED this _____ day of _____, 2003.

LANDLORD:

TUMWATER OFFICE PROPERTIES,
a Washington nonprofit corporation

By _____
Name: John Finke
Title: Vice President
Date: _____

APPROVED AS TO FORM:

TENANT:

STATE OF WASHINGTON,
Acting through the
Department of General Administration

By _____
Name: _____
Title: Assistant Attorney General
Date: _____

By _____
Name: _____
Title: _____
Date: _____

STATE OF WASHINGTON }
COUNTY OF KING } ss.

I certify that I know or have satisfactory evidence that John Finke is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Vice President of TUMWATER OFFICE PROPERTIES, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this _____ day of _____, 2003.

Printed Name _____
NOTARY PUBLIC in and for the State of Washington,
residing at _____
My Commission Expires _____

STATE OF WASHINGTON

COUNTY OF THURSTON

} ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that [he/she] signed this instrument, on oath stated that [he/she] was authorized to execute the instrument and acknowledged it as the _____ of the DEPARTMENT OF GENERAL ADMINISTRATION, STATE OF WASHINGTON, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this _____ day of _____, 2003.

Printed Name _____
NOTARY PUBLIC in and for the State of Washington,
residing at _____
My Commission Expires _____

EXHIBIT A

LAND

EXHIBIT F

DISPUTE RESOLUTION PROCEDURE

Landlord and Tenant shall act in good faith and deal fairly in performing their respective duties under this Lease in order to accomplish their mutual objectives and avoid disputes. If a dispute arises with respect to design or construction of the Project, the parties agree to utilize the dispute resolution process contained herein, which will be non-binding but a condition precedent to having said dispute decided in court by a judge or jury.

1. Mediation. Pursuant to Section 9.5 of this Lease, in the event a dispute arises between Tenant and Landlord with respect to design and/or construction of the Project the parties shall proceed in good faith to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute within three (3) business days, either party may refer the dispute to the Mediator named below.

1.1 Mediator. For any dispute which cannot be resolved by the parties, the mediator hereunder ("Mediator") shall be a mediator whom Landlord and Tenant have mutually designated to resolve such dispute. The Mediator is to act impartially and independently in the consideration of facts and conditions surrounding any dispute presented by Tenant and Landlord; however, the Mediator's recommendations concerning any such dispute are advisory only. The Mediator's recommendations shall be based on the pertinent Lease provisions, and the facts and circumstances involved in the dispute. The Mediator's recommendations shall be furnished in writing to the parties.

1.2 Tenant Responsibility. Tenant shall furnish the Mediator one copy of all documents it might have, other than those furnished by the Landlord, which are pertinent to the performance of the Mediator's duties hereunder.

1.3 Landlord Responsibility. Landlord shall furnish the Mediator one copy of all Contract Documents, including but not limited to the Building Design Guidelines, applicable contracts, interpretative reports, progress schedule and updates, monthly progress reports, and other documents pertinent to the performance of the Lease and necessary to the performance of the Mediator's duties hereunder.

1.4 Term. Following execution of this Lease, the Mediator shall have authority to act hereunder upon written request from either Landlord or Tenant and such authority shall terminate upon Final Acceptance, after Final Payment has been made.

1.5 Payment. The fees charged by the Mediator shall be shared equally by the parties. The Mediator's compensation shall include compensation for all materials, supplies, travel, office assistance and support and incidentals necessary to provide the services described herein. Payment for services rendered by the Mediator will be at the Mediator's standard hourly rate as approved by Landlord and Tenant prior to commencement of the dispute resolution proceeding.

1.6 Legal Relationship. The Mediator, in the performance of the duties described herein, is acting in the capacity of an independent agent and not as an employee of either Tenant or Landlord. The Mediator is absolved of any personal or professional liability arising from the recommendations made hereunder, unless due to gross negligence or willful malfeasance.

EXHIBIT G

PERMITTED EXCEPTIONS

1. Water Main Extension Agreement recorded under Thurston County Recording No. 9307130097.
2. Easement for Electric Transmission and Distribution Lines as recorded under Thurston County Recording No. 8112080070.
3. Relinquishment of Easements recorded under Thurston County Recording No. 8507220086.
4. Easement for Necessary Slopes recorded under Thurston County Recording No. 8701280120.
5. Access and Utility Easement Shown on Survey recorded under Thurston County Recording No. 9304280218.
6. Restrictions and Reservations recorded under Thurston County Recording No. 9312160216.
7. Avigation Easement recorded under Recording No. 9312160217.

EXHIBIT H

FORM OF NOTICE OF ELECTION OF OPTION TO PURCHASE

[Date]

TO: Landlord

You are hereby notified that the State of Washington, acting through the Department of General Administration ("Tenant"), has elected to exercise on [date of payment] its option to purchase the Premises currently leased by the Tenant pursuant to the Lease Agreement ("Lease") by and between Tenant and Landlord dated October 23, 2003 as amended and restated as of January __, 2004. This purchase option is being exercised pursuant to Section 30 of the Lease. Tenant is now, and on the date set forth above for payment will be, in full compliance with all terms and conditions of the Lease. In accordance with Section 30 of the Lease, Tenant shall purchase the Premises for a price of the total outstanding principal portion of the Monthly Rent set forth in Exhibit A to the Lease plus accrued interest thereon to the date of payment at the applicable rate. On or prior to the date set forth above, Tenant shall also pay any Additional Rent then due and owing under the Lease.

LANDLORD:

TUMWATER OFFICE PROPERTIES,
a Washington nonprofit corporation

By _____
Name: John Finke
Title: Vice President
Date: _____

APPROVED AS TO FORM:

TENANT:

STATE OF WASHINGTON,
Acting through the
Department of General Administration

By _____
Name: _____
Title: Assistant Attorney General
Date: _____

By _____
Name: _____
Title: _____
Date: _____

EXHIBIT I

ANNUAL 501(c)(3) CERTIFICATION

The undersigned, (name), (title), of (organization), hereby certifies that the following information in respect to the Tumwater Office Properties Lease Revenue Bonds, 2003 (State of Washington Office Building Project) (the "Bonds") is true and correct for the period January 1, _____ to December 31, _____:

1. List all the users, other than your organization, of the portion of the facility financed with the Bonds. If the user is a nonprofit organization, indicate whether or not its determination of nonprofit status was made pursuant to Section 501(c)(3) of the tax code. If the user is a government entity, indicate if it represents federal, state, or local government. (Please attach additional sheets, if necessary.)

Organization	Type (nonprofit/for-profit/government)
_____	_____
_____	_____

2. Did such organization report to the IRS any unrelated-business income (UBIT) relating to the operations of the portion of the Project?

Yes _____ No _____ If yes, please describe.

3. If any portion of the facility financed with Bonds is used (including use as under a management contract) by a for-profit entity, a nonprofit organization other than a 501(c)(3), an agency of the federal government, or by any organization for an activity outside its exempt purpose, have you paid more than 3% of the principal and interest on the Bonds with income derived from such use?

Yes _____ No _____ If yes, please describe.

4.(a) Has any portion of the Project been sold, transferred, leased, conveyed or encumbered?

Yes _____ No _____ If yes, please describe and answer question 4(b).

4.(b) Did you receive approval from the Trustee for this change?

Yes _____ No _____

5. Has any organization using the Project received notification from the IRS that its 501(c)(3) status has been revoked?

Yes _____ No _____

Date

(Name), (Title)